United States Court of Appeals

for the Second Circuit

EXHIBITS

P215

Nos. 74-1584, 74-1636

In the

United States Court of Appeals

For the Second Circuit

SCIENTIFIC HOLDING COMPANY, LTD, AN ILLINOIS CORPORATION,

Plaintiff-Appellant,

vs.

PLESSEY INCORPORATED, A DELAWARE CORPORATION,

Defendant-Appellee.

BOOK OF EXHIBITS.

FRANCIS J. MCCONNELL,
RICHARD P. CAMPBELL,
135 South LaSalle Street,
Chicago, Illinois 60603,

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Attorneys for Plaintiff-Appellant, Scientific Holding Company, Ltd.

UNITED STATES COURT OF APPEALS
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SEP 24 1974
DANIEL FUSARO, CLERK
SECOND CIRCUIT

Gunthorp-Warren Printing Company, Chicago • 346-1717

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all dollars are U.S. Cents

Plaintiff's Exhibit No. 1

AGREEMENT dated the day of , 1970 by and between THE PLESSEY COMPANY LIMITED, a corporation organized and existing under the laws of England (hereinafter referred to as "PLESSEY") and INTERNATIONAL SCIENTIFIC LTD., a corporation organized and existing under the laws of Barbados, West Indies (hereinafter referred to as "ISL").

WHEREAS, ISL is engaged in the manufacture of memory planes and memory stacks and desires that all of its properties be sold and exchanged solely for ordinary shares of PLESSEY and for the assumption by PLESSEY of certain liabilities of ISL: and

WHEREAS, PLESSEY desires to acquire all of the properties of ISL in exchange solely for ordinary shares of PLESSEY and for the assumption by PLESSEY of certain liabilities of ISL,

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable considerations by each of the parties to the other in hand paid, receipt of which is hereby acknowledged, it is mutually agreed as follows:

1. ISL hereby agrees that, subject to the terms and conditions of this Agreement, ISL will sell, convey, transfer and deliver to PLESSEY, at the closing hereof, all of ISL's then existing assets and business including all of ISL's good will and its right to the use of its name. The assets so to be sold, conveyed, transferred

PLAINTIFF'S EXHIBIT E 1

and delivered shall include those owned by ISL on December 31, 1969 balance sheet with only such changes therein as shall have occurred in the ordinary course of ISL's business between December 31, 1969 and the closing, or otherwise as may be consented to or approved by PLESSEY in writing. Without limitation of the foregoing provisions, the aforesaid sale, conveyance and transfer shall include all of ISL's rights and interests in, to and under all patents, patent applications, trademarks, trademark registrations and applications therefor, copyrights, copyright registrations and applications therefor, issued or pending, all trade names, labels and other trade rights, whether or not registered, all inventions, discoveries, improvements, processes, formulae, trade secrets, ideas, and other know-how, whether patentable or not, and all shop rights, licenses and other agreements (including agreements with ISL's employees) relating in whole or in part to any of the foregoing.

2. PLESSEY hereby agrees that, at the closing, subject to the terms and conditions of this Agreement, and in consideration for the aforesaid sale, conveyance, transfer and delivery, PLESSEY will deliver to ISL a certificate or certificates for 37,500 ten shilling ordinary shares of PLESSEY, such delivery to be made by PLESSEY in such authorized full share denominations and registered in the name of ISL or its nominee or such

other names as ISL shall request in writing; and PLESSEY shall deliver to ISL an undertaking whereby PLESSEY assumes and agrees to pay, perform and discharge all debts, obligations, contracts and liabilities of ISL, whether accrued, absolute, contingent or otherwise but only if such debts, obligations, contracts and liabilities are reflected on the December 31, 1969 balance sheet of ISL, provided, however, that PLESSEY shall not assume nor does it agree to pay any obligation evidenced by convertible debentures issued by ISL nor any expenses of redemption or premiums which are necessitated by any such redemptions.

3. ISL hereby agrees that, at the closing, it will deliver to PLESSEY such deeds, bills of sale, endorsements, assignments, and other good and sufficient instruments of conveyance and transfer, in form satisfactory to PLESSEY's counsel, Sinsheimer, Sinsheimer & Dubin, Esqs., as shall be effective to vest in PLESSEY good and marketable title to the assets and business to be sold, conveyed, transferred and delivered hereunder, all as provided in this Agreement, and all of ISL's contracts and commitments, books (except minute and stock books), records and other data relating to its assets, business and operations, including, without limitation all its notebooks and other records relating to inventions, discoveries and improvements, whether patentable or not; and that, simultaneously with such

delivery, all such steps will be taken as may be required to put PLESSEY in actual possession and operating control of such assets and business.

4. ISL hereby agrees that, from time to time, at PLESSEY's request and without further consideration, ISL will execute and deliver such other instruments of conveyance and transfer and take such other action as PLESSEY reasonably may require more effectively to convey, transfer to and vest in PLESSEY, and to put PLESSEY in possession of, any property to be sold, conveyed, transferred and delivered hereunder, and, in the case of contracts and rights, if any, which cannot be transferred effectively without the consent of third parties which is obtainable, ISL agrees to use its best efforts to assure to PLESSEY the benefit thereof. Nothing herein to the contrary, it shall be essential to the closing of this Agreement that ISL obtain and deliver to PLESSEY at the time of closing the consent by the Barbados government or its instrumentality to the assignment of ISL's lease to PLESSEY and to the continuation of all of the terms of that lease. It shall also be essential that ISL deliver at closing the consent by Granite Leasing Corp., or its appropriate affiliate, to the assignment of ISL's equipment leases to PLESSEY and an acknowledgment of PLESSEY's right to obtain title to all of the equipment heretofore leased to ISL by Granite Leasing Corp. or its

affiliate upon the compliance by PLESSEY of all of the terms of the lease remaining to be performed.

5. Paragraph 6 hereof provides that ISL will be entitled to certain additional ordinary shares of PLESSEY depending upon the amount of profits derived from the assets being acquired hereby during the year commencing on the first day of the first calendar month after closing. In order to allow those assets to generate profits during the one-year measuring period, PLESSEY hereby agrees that for that period it will:

a. Make available to the business promptly after closing funds totalling not less than Six Hundred Thousand ($600,000.00) Dollars;

b. Continue ISL's business in good faith, itself or through a subsidiary, and

c. Continue all agreements between ISL and sales representatives in the United States for a period of at least six (6) months from the first day of the first calendar month after closing, except for those agreements which are terminated for cause.

6. If during the year commencing on the first day of the first calendar month after closing the profits (as defined below) derived from the assets being acquired total Three Hundred and Sixty Thousand ($360,000.00) Dollars, PLESSEY shall deliver to ISL within ninety (90) days thereafter a certificate or certificates for 262,500 additional ordinary shares of PLESSEY. Should the profits be less

than Three Hundred and Sixty Thousand ($360,000.00) Dollars during that period, PLESSEY shall deliver to ISL within ninety (90) days thereafter a certificate or certificates for that number of additional shares which when added to the shares received at closing bears the same ratio to 300,000 that the amount of profits for the measuring year bears to Three Hundred and Sixty Thousand ($360,000.00) Dollars. If no additional shares are earned or if the business shall be unprofitable ISL shall nevertheless be entitled to retain the shares delivered to it at closing.

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"Profits", as used in this Paragraph 6, and only for purposes of computing the number of additional shares, if any, that ISL may be entitled to receive, shall be determined by generally accepted accounting principles. Depreciation shall be charged on the same basis as charged heretofore by ISL utilizing the same useful lives and rates. All research and development, training and engineering will be charged against current income. No charge against gross income shall be made for any expenses of PLESSEY, such as managerial services, which would not have been sustained by ISL had ISL itself continued the business during the measuring period nor shall gross income be charged with any costs sustained by PLESSEY in generating sales other than a charge of eight (8%) per cent of Barbados f.o.b. prices for all sales generated by PLESSEY for which no commission is to be paid to a sales representative. No charge shall be made against gross income for the cost of the funds made available to

the business under Paragraph 5(a) hereof. As a general guide, items of the nature shown as costs of doing business on the ISL pro forma income statement which is attached hereto as Exhibit shall be considered proper charges against income for purposes of this Paragraph 6.

7. The closing of this transaction shall take place at a location in Bridgetown, Barbados, W.I., to be selected by PLESSEY at on ,1970. Either party, however, may by written notice to the other received not later than ten (10) days before that date postpone the closing to a date not beyond fourteen (14) days after the closing date fixed by this paragraph and PLESSEY may extend the closing to a date thirty (30) days after the closing date fixed by this agreement if the Bank of England approval has not as yet been received in accordance with Paragraph 19 hereof. If closing is not consummated within the period herein described, this Agreement shall terminate without liability of any kind on the part of either ISL or PLESSEY.

8. ISL hereby agrees that it will duly convene a meeting of the holders of its common stock to be held prior to the date of closing for the purpose of voting upon the sale of its assets in accordance with this Agreement and in order to change its name.

9. PLESSEY hereby agrees that it will take all such actions prior to the date of closing as may be required in order to acquire the assets of ISL on the

terms provided in this Agreement and in order to issue and deliver to ISL at the closing certificate or certificates of its ordinary shares required thereby.

10. ISL represents and warrants:

a. That ISL is a corporation duly organized, validly existing and in good standing under the laws of Barbados, W.I., and that it has corporate power to carry on its business as it is now conducted.

b. That the execution, delivery and performance of this Agreement by ISL, including, without limitation, the sale, conveyance, transfer and delivery contemplated hereby have been duly and effectively authorized by ISL's Board of Directors, subject to approval by its stockholders as required by law.

c. ISL has delivered to PLESSEY copies of the following financial statements, all of which are true and complete and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods indicated:

(i) ISL's balance sheet as of December 31 , 1968, certified by , including the notes thereto, which balance sheet presents a true and complete statement as of its date of the financial condition and assets and liabilities of ISL;

(ii) The balance sheet of ISL as of December 31 , 1969, attested to by

ISL's controller which, to the extend of ISL"s knowledge, presents a true and complete statement as of its date of the financial condition and assets and liabilities of ISL;

(iii) A statement of ISL's profit and loss for the period from to , certified by , including the notes thereto, which fully and accurately presents the results of ISL's operations for the period indicated, and

(iv) A statement of ISL's profit and loss for the period from to , attested to by ISL's controller which, to the extent of ISL's knowledge, fully and accurately presents the results of ISL's operations for that period.

d. Except as and to the extent reflected or reserved against in ISL's balance sheets described above, ISL, as of the date thereof, had no liabilities or obligations (whether accrued, absolute, contingent or otherwise) of a nature customarily reflected in a corporate balance sheet prepared in accordance with generally accepted accounting principles, including, without limitation, any tax liabilities due or to become due and whether

(i) Incurred in respect of or measured by ISL's income for any period prior to the close of business on , 1969, or

(ii) Arising out of transactions entered into, or any state of facts existing, prior thereto.

e. Since December 31, 1969, there has not been:

(i) Any change in ISL's financial condition, assets, liabilities or business, other than changes in the ordinary course of business. Operating losses not in excess of $ for the period from 1969 to the closing hereof shall not constitute an out of the ordinary change of ISL's condition;

(ii) Any declaration, setting aside or payment of any dividend or other distribution in respect of ISL's capital stock;

(iii) Any increase in the compensation payable or to become payable by ISL to any of its officers, employees or agents other than normal wage raises for employees who are considered direct labor, or

(iv) Any significant labor trouble or any other event or condition of any character which has materially and adversely affected ISL's business.

f. The accounts receivable shown on ISL's balance sheet of December 31 , 1969, are, in the reasonable judgment of ISL, collectible in the aggregate amount shown on that balance sheet, less a reserve of $15,000.00.

g. The inventories of ISL shown on its balance sheet of December 31 , 1969 or thereafter acquired by ISL prior to the date of this Agreement, consist of items of a quality and quantity useable in the normal course of ISL's business; the value of obsolete materials or of materials below standard quality has been written down to realizable market value and the values at which such inventories are carried reflect ISL's normal inventory valuation policy of stating the inventory at cost, not in excess of market, all in accordance with generally accepted accounting principles.

h. ISL has good and marketable title to all of its assets free and clear of all liens and encumbrances except liens and encumbrances resulting from a lending agreement between ISL and the First National City Bank, a copy of which is attached hereto as Exhibit . ISL has not received notice of violation of any applicable zoning regulation, oridnance or other law, order, regulation or requirement relating to its operations or to its owned or leased properties.

i. ISL has delivered to PLESSEY accurate lists and summary descriptions, certified by ISL to be correct to the best of its knowledge and belief, of the following:

(i) All real property owned of record or beneficially by ISL and a brief description of the principal buildings and structures located thereon, and all leases of real property to which ISL is a party;

(ii) A copy of the agreement between ISL and the Government of Barbados, W.I., or its instrumentality, by which it was agreed that ISL would not be obligated to pay any income or similar taxes to the Government of Barbados, W,I., for a stated period of time and that thereafter the rate of income or similar tax would be restricted to a fixed rate.

statute

(iii) Inventories of finished products and goods in process, materials, supplies, machinery and equipment, as recorded in ISL's books of account and reflected in its balance sheet of December 31 , 1969.

(iv) All United States and foreign patents, trademark and trade name registrations, copyrights and copyright registrations which will not have expired on the date of closing, all United States and foreign applications now pending for patents, trademarks or trade name registrations or copyright registrations.

(v) All licenses granted by or to ISL and all other agreements to which ISL is a party which may be in force as of the closing hereof and which relate in whole or in part to any items of the categories mentioned in the sub-paragraph immediately above or to inventions, discoveries, improvements, processes,

formulae, trade secrets, ideas or other know-how, or labels, whether owned by ISL or otherwise;

(vi) All automobiles and trucks owned or leased by ISL;

(vii) All insurance policies in force with respect to ISL covering all of its assets and operations;

(viii) All existing contracts and commitments of ISL involving payment by ISL of more than $1,000.00 or extending beyond May 31, 1970, or otherwise materially affecting ISL's business, including all contracts made with sales representatives. Except as shown on this list, ISL is not in default under any such contract or commitment;

(ix) The names and current annual salary rates of all of ISL's officers and employees whose current annual salary rate is $10,000.00 or more, together with a copy of any salary plan or plan of fringe benefits paid or payable to such persons, and

(x) The name of each bank in which ISL has an account and the names of all persons authorized to draw thereon.

True and complete copies of all contracts, commitments or other agreements referred to above shall be delivered by ISL to Sinsheimer, Sinsheimer and Dubin,

Esqs., 660 Madison Avenue, New York, New York, not later than fourteen (14) days prior to closing.

j. So far as is known to ISL, there is no litigation, proceeding or government investigation pending, threatened or otherwise relating to ISL or to its assets or business or to the transaction contemplated by this Agreement, nor is there any basis known to ISL for any such action.

k. All negotiations relative to this Agreement and the transaction contemplated hereby have been carried on by ISL directly with PLESSEY, without the intervention of any person as the result of any act of ISL (and, so far as known to ISL, without the intervention of any other person) in such manner as to give rise to any valid claim against either of the parties hereto for a brokerage commission or any like payment.

11. PLESSEY hereby represents and warrants that it is a corporation duly organized and existing and in good standing under the laws of England and that the shares to be delivered by PLESSEY to ISL will be validly issued and outstanding fully paid and non-assessable. PLESSEY further represents and warrants that the negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by PLESSEY directly with ISL, without the intervention of any persons as the result of any act of PLESSEY (and, so far as known to PLESSEY, without the intervention of any other person) in such manner as to give rise to any

valid claim against either of the parties hereto for a brokerage commission or any like payment.

12. ISL hereby agrees that, pending the closing and except as consented to by PLESSEY in writing:

a. ISL's business shall be conducted only in the ordinary course which shall not include the making of any commitment extending beyond the date of closing other than with PLESSEY's written consent;

b. No dividend or other distribution or payment shall be made or paid in respect of its capital stock;

c. No increase shall be made in the compensation payable or to become payable by ISL to any officer, employee or agent except normal wage raises for employees considered to be direct labor;

d. No borrowing shall be made by ISL;

e. No change shall be made in the banking arrangements reflected in Paragraph 10 (i) (x) hereof;

f. ISL will use its best efforts to preserve its business organization, to keep available to PLESSEY the services of ISL's officers and employees and to preserve for PLESSEY the good will of ISL's suppliers, customers and others having business relations with it; and

g. ISL will duly comply with all laws applicable to it and to the conduct of its business.

13. All of PLESSEY's obligations under this Agreement are subject to the fulfillment, prior to or at closing, of each of the following conditions:

a. PLESSEY shall not have discovered any material error, mis-statement or omission in any of the representations and warranties made by ISL;

b. ISL's representations and warranties contained in this Agreement shall be deemed to have been made again as of the time of the closing and shall then be true in all material respects and ISL shall have performed and complied with all agreements required by this Agreement to be performed or complied with no later than closing;

c. The sale and transfer of its assets, business and good will and its change of name, as provided in this Agreement, shall have been approved by the holders of at least that percentage of ISL's outstanding stock as may be required under the laws of Barbados, W.I.;

d. The acquisition by PLESSEY of ISL's assets, business and good will as provided in this Agreement shall have been approved, if necessary, under the laws of England, by the prescribed percentage of PLESSEY's shareholders;

e. PLESSEY shall have been furnished with an opinion dated the closing date of counsel for ISL, , to the effect that:

(i) ISL is a corporation duly organized, validly existing and in good standing under the laws of Barbados, W.I.;

(ii) The execution, delivery and performance of this Agreement by ISL have been duly authorized and approved by all requisite action of ISL's Board of Directors and stockholders and that this Agreement has been duly executed and delivered by ISL and constitutes the valid and binding obligation of ISL in accordance with its terms;

(iii) The consents to the sale, conveyance, transfer and delivery by ISL of any of its assets which may be required under the provisions of any lending agreement or lease have been duly given; and

(iv) Except as may be specified by such counsel, that they do not know of any litigation, proceeding or governmental investigation pending or threatened against or relating to ISL, its properties or business, or the transaction contemplated by this Agreement, or of any legal impediment to the operation by PLESSEY of ISL's properties and business in the ordinary course.

f. PLESSEY shall have been furnished with legal opinions or other evidence in form and substance satisfactory to PLESSEY to the effect that at the time of closing ISL had good and marketable title to the

properties reflected on its balance sheet as of December 31, 1969, free and clear of all liens and encumbrances subject only to the exception mentioned in paragraph 10 above pertaining to a bank lending agreement and that the instruments of conveyance and transfer executed and delivered by ISL at the closing are valid in accordance with their terms and effectively vested in PLESSEY good and marketable title, subject only to the aforementioned exception, to all of the property of ISL and its business and good will as contemplated by this Agreement.

g. PLESSEY shall have received an opinion dated the closing of its counsel, Carrington and Sealy, to the effect that all of the instruments of conveyance and transfer being delivered by ISL to PLESSEY are satisfactory to them.

14. All of the obligations of ISL under this Agreement are subject to the fulfillment no later than closing of each of the following conditions:

a. ISL shall not have discovered any material error, mis-statement or omission in the representations and warranties made herein by PLESSEY.

b. PLESSEY's representations and warranties contained in this Agreement shall be deemed to have been made again as at the time of closing and shall be true in all material respects and PLESSEY shall have complied with all agreements and conditions required by this Agreement to have been performed or complied with no later than closing.

c. PLESSEY shall have deliever to ISL an opinion dated the closing date of PLESSEY's counsel, Herbert Oppenheimer, Nathan & Vandyk, to the effect that:

(i) PLESSEY is a corporation duly organized and existing and is in good standing under the laws of England;

(ii) The execution, delivery and performance of this Agreement by PLESSEY have been duly authorized and this Agreement has been duly executed and delivered by PLESSEY and constitutes the valid and binding obligation of PLESSEY in accordance with its terms;

(iii) PLESSEY's ordinary shares to be delivered to ISL under this Agreement shall have been validly issued and be fully paid and non-assessable;

(iv) The undertaking provided for in Paragraph 2 hereof has been duly executed and delivered and is binding and effective according to its terms.

15. Should PLESSEY notify ISL at least fourteen (14) days prior to the closing hereof that it elects to have ISL comply with or join with PLESSEY in complying with any bulk sale procedures it considers applicable hereto, ISL shall take all steps appropriate thereto.

16. PLESSEY may assign this Agreement to a subsidiary corporation, in which event PLESSEY's sole obligations hereunder shall be to issue and make available to its subsidiary a certificate or certificates for sufficient numbers of its ordinary shares as may be required to be delivered to ISL under the terms of this Agreement, to make available as

provided above the sum of Six Hundred Thousand ($600,000.00) Dollars for the operation of the business during the measuring year and to deliver its undertaking as provided in Paragraph 2 hereof.

17. Should any representations or warranties by ISL prove to be inaccurate or untrue, PLESSEY may, in addition to any other remedies available to it, diminish any further payments or distributions to ISL by an amount sufficient to cover the damage sustained by reason of the misrepresentation or breach of warranty.

18. It is expressly understood by the parties that in the event that the exchange by ISL of its assets for ordinary shares of PLESSEY is not deemed by the appropriate taxing authorities as a tax-free exchange or in the event that those shares are burdened by interest equalization tax under the United States Internal Revenue Code, ISL may at any time prior to the receipt of any additional shares it may have earned by reason of the profits of the operation during the measuring year elect to receive such additional compensation in United States dollars rather than in ordinary shares of PLESSEY, in which event each ordinary share of PLESSEY shall be valued at $4.80 United States currency.

19. It is expressly understood by ISL that this Agreement is subject to the approval of the Bank of England. PLESSEY shall use all reasonable efforts to obtain such approval by the time fixed by Paragraph 7 for closing but if such approval has not then been received PLESSEY may elect to postpone the closing for a period not in excess of thirty (30)

days beyond the date originally set for the closing. Should the Bank of England decline to approve this Agreement, the Agreement shall be null and void and neither party shall have any claim against the other.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day first above written.

THE PLESSEY COMPANY LIMITED

By_____

INTERNATIONAL SCIENTIFIC LTD.

By_____

Plaintiff's Exhibit No. 2

AGREEMENT dated the day of ,1970 by and between THE PLESSEY COMPANY LIMITED, a corporation organized and existing under the laws of England (hereinafter referred to as "PLESSEY") and INTERNATIONAL SCIENTIFIC LTD., a corporation organized and existing under the laws of Barbados, West Indies (hereinafter referred to as "ISL").

WHEREAS, ISL desires that all of its properties be sold to PLESSEY on the terms hereinafter set forth; and

WHEREAS, PLESSEY desires to acquire all of the properties of ISL on the terms hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable considerations by each of the parties to the other in hand paid, receipt of which is hereby acknowledged, it is mutually agreed as follows:

1. ISL hereby agrees that, subject to the terms and conditions of this Agreement, ISL will sell, convey, transfer and deliver to PLESSEY, at the closing hereof, all of ISL's then existing assets and business including all of ISL's good will and its right to the use of its name. The assets so to be sold, conveyed, transferred and delivered shall include those owned by ISL on December 31, 1969 balance sheet with only such changes therein as shall have occurred in the ordinary course of ISL's business between December 31, 1969 and the closing, or otherwise as may be consented to or approved by PLESSEY in writing. Without limitation of the fore-

PLAINTIFF'S EXHIBIT NO. 2

going provisions, the aforesaid sale, conveyance and transfer shall include all of the following, if any: all of ISL's rights and interests in, to and under all patents, patent applications, trademarks, trademark registrations and applications therefor, copyrights, copyright registrations and applications therefor, issued or pending, all trade names, labels and other trade rights, whether or not registered, all inventions, discoveries, improvements, processes, formulae, trade secrets, ideas, and other know-how, whether patentable or not, and all shop rights, licenses and other agreements (including agreements with ISL's employees) relating in whole or in part to any of the foregoing.

2. PLESSEY hereby agrees that, at the closing, subject to the terms and conditions of this Agreement, and in consideration for the aforesaid sale, conveyance, transfer and delivery, PLESSEY will deliver to ISL a check for One Hundred and Eighty Thousand ($180,000.00) U.S.DOLLARS drawn by PLESSEY to ISL; and PLESSEY shall deliver to ISL an undertaking whereby PLESSEY assumes and agrees to pay, perform and discharge all debts, obligations, contracts and liabilities of ISL, whether accrued, absolute, contingent or otherwise but only if such debts, obligations, contracts and liabilities are reflected on the December 31, 1969 balance sheet of ISL, or if they were incurred in the ordinary course of ISL's business between December 31,1969

Call to Hutter

interest to closing?

and closing, provided, however, that PLESSEY shall not assume nor does it agree to pay any obligation evidenced by convertible debentures issued by ISL nor any expenses of redemption or premiums which are necessitated by any such redemptions.

3. ISL hereby agrees that, at the closing, it will deliver to PLESSEY such deeds, bills of sale, endorsements, assignments, and other good and sufficient instruments of conveyance and transfer, in form satisfactory to PLESSEY'S counsel, Sinsheimer, Sinsheimer & Dubin, Esqs., as shall be effective to vest in PLESSEY good and marketable title to the assets and business to be sold, conveyed, transferred and delivered hereunder, all as provided in this Agreement, and all of ISL's contracts and commitments, books (except minute and stock books which shall be and remain available at all reasonable times for PLESSEY'S inspection), records and other data relating to its assets, business and operations, including, without limitation all its notebooks and other records relating to inventions, discoveries, improvements, processes, formulae, trade secrets, ideas, or other know-how whether patentable or not, and trademarks, tradenames or copyrights, whether registrable or not; and that, simultaneously with such delivery, all such steps will be taken as may be required to put PLESSEY in actual possession and operating control

of such assets and business. All such records, data and other documents shall remain available at all reasonable times for ISL's inspection.

4. ISL hereby agrees that, from time to time, at PLESSEY'S request and without further consideration, ISL will execute and deliver such other instruments of conveyance and transfer and take such other action as PLESSEY reasonably may require more effectively to convey, transfer to and vest in PLESSEY, and to put PLESSEY in possession of, any property to be sold, conveyed, transferred and delivered hereunder, and, in the case of contracts and rights, if any, which cannot be transferred effectively without the consent of third parties which is obtainable, ISL agrees to use its best efforts to assure to PLESSEY the benefit thereof. Nothing herein to the contrary, it shall be essential to the closing of this Agreement that ISL obtain and deliver to PLESSEY at the time of closing the consent by the Barbados government or its instrumentality to the assignment of ISL's lease to PLESSEY and to the continuation of all of the terms of that lease. It shall also be essential that ISL deliver at closing the consent by Granite Leasing Corp., or its appropriate affiliate, to the assignment of ISL's equipment leases to PLESSEY, an acknowledgment of PLESSEY'S right to obtain title to all of the equipment heretofore leased to ISL by Granite Leasing Corp. or its affiliate upon the

compliance by PLESSEY of all of the terms of the lease remaining to be performed, and an estoppel letter from Granite to the effect that all of the lessee's obligations to the date of closing have been performed.

5. Paragraph 6 hereof provides that ISL will be entitled to certain additional money depending upon the amount of profits derived from the assets being acquired hereby during the year commencing on the first day of the first calendar month after closing (hereinafter called "the measuring year"). In order to allow those assets = 4/1/70 to generate profits during the measuring year, PLESSEY hereby agrees that for that period it will:

a. Make available to the business within one week after closing funds totalling not less than Six Hundred Thousand ($600,000.00) U.S.Dollars;

b. Continue ISL'S business in good faith, itself or through a subsidiary,

c. Continue all agreements between ISL and sales representatives in the United States for the measuring year except for those agreements which are terminated for cause, and

d. The present management of ISL shall operate the business during the measuring year and shall have the maximum freedom to operate the business in a manner which will produce, in the judgment of such management, the maximum profit available provided, however, that any policy

directive issued by the directors of Plessey shall be complied with. Should Plessey propose any course of action which would be detrimental to profits during the measuring year ISL management shall have the option of requiring prior to commencement of such course of action that the net additional expenditure of ISL in pursuing such course over and above what it would have incurred if it had not pursued such course be excluded in determining profits. Notwithstanding the foregoing, if ISL profits are not at least Fifteen Thousand ($15,000) U.S. Dollars per month in any full months commencing with the third calendar month of the measuring year, this sub-paragraph shall no longer apply and Plessey shall have the right to assume full management responsibilities. In such event, however, Plessey shall be obligated to continue the business of ISL during the measuring year in good faith.

6. If during the measuring year the profits (as defined below) derived from the assets being acquired total Three Hundred and Sixty Thousand ($360,000.00) U.S. Dollars, or more, PLESSEY shall deliver to ISL not later than ninety (90) days thereafter a check in the amount of One Million Two Hundred and Sixty Thousand ($1,260,000.00) U.S.Dollars drawn to ISL. Should the profits be less

than Three Hundred and Sixty Thousand ($360,000.00) U.S. Dollars during that period, PLESSEY shall deliver to ISL not later than ninety (90) days thereafter a check drawn to ISL, in an amount which bears the same ratio to One Million Two Hundred and Sixty Thousand ($1,260,000.00) U.S. Dollars that the amount of profits for the measuring year bears to Three Hundred and Sixty Thousand ($360,000.00) Dollars. If no additional money is payable or if the business shall be unprofitable ISL shall nevertheless be entitled to retain the One Hundred and Eighty Thousand ($180,000.00) U.S.Dollars paid to it at closing.

"Profit" as used in this paragraph 6 is intended to and shall include only income or losses (before any taxes measured by income) actually generated by deployment of the assets of ISL such deployment being principally in the manufacture and sale of memory plains and memory stacks and shall not include income or losses resulting from changes in accounting methods, practices or procedures. Accordingly, profits shall be computed in accordance with generally accepted accounting principals applied consistently with those applied by ISL in the past except that:

A) There shall be no write down or charges to profits resulting from facts established to have occurred during years prior to the measuring year;

B) No charge shall be made to profit for any expense of Plessey such as managerial services or

additional or new accounting systems or any other services furnished or proposed to be furnished to ISL by PLESSEY which would not have been sustained by ISL had ISL continued the business during the measuring year unless ISL management agrees that any such charge for services shall be made to ISL;

C) Depreciation shall be charged on the same basis as charged heretofore by ISL utilizing the same useful lives and rates;

D) The cost of all research and development, training and engineering instituted by ISL management during the measuring year will be charged against profit as such costs are incurred;

E) Any sale generated by PLESSEY or made by ISL to PLESSEY shall be at the same prices charged by ISL to other customers except there shall be deducted 8% of Barbados f.o.b. prices for all sales generated by or made to PLESSEY for which no commission is to be paid to a salesrepresentative;

F) No charge shall be made against gross income for the cost of the funds made available to the business under the Paragraph 5(a) hereof;

G) As a general guide items of the nature shown as cost of doing business on the ISL proforma income statement which is attached hereto as Exhibit shall be considered proper charges against income for purposes of this Paragraph 6.

7. The closing of this transaction shall take place at a location in Bridgetown, Barbados, W.I., to be selected by PLESSEY at on 1970. Either party, however, may by written notice to the other received not later than ten (10) days before that date postpone the closing to a date not beyond fourteen (14) days after the closing date fixed by this paragraph and PLESSEY may extend the closing to a date thirty (30) days after the closing date fixed by this agreement if the Bank of England approval has not as yet been received in accordance with Paragraph 19 hereof. If closing is not consummated because approval by the Bank of England has not been received within the period herein described, this Agreement shall terminate without liability of any kind on the part of either ISL or PLESSEY.

8. ISL hereby agrees that it will duly convene a meeting of the holders of its common stock to be held prior to the date of closing for the purpose of voting upon the sale of its assets in accordance with this Agreement and in order to change its name.

9. PLESSEY hereby agrees that it will take all such actions prior to the date of closing as may be required in order to acquire the assets of ISL on the terms provided in this Agreement and in order to issue and deliver to ISL at the closing certificate or certificates of

its ordinary shares required thereby.

10. ISL represents and warrants:

a. That ISL is a corporation duly organized, validly existing and in good standing under the laws of Barbados, W.I., and that it has corporate power to carry on its business as it is now conducted.

b. That the execution, delivery and performance of this Agreement by ISL, including, without limitation, the sale, conveyance, transfer and delivery contemplated hereby have been duly and effectively authorized by ISL's Board of Directors, subject to approval by its stockholders as required by law.

c. ISL has delivered to PLESSEY copies of the following financial statements, all of which are true and complete and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods indicated:

(i) ISL's balance sheet as of December 31, 1968, certified by Price Waterhouse & Co. including the notes thereto, which balance sheet presents a true and complete statement as of its date of the financial condition and assets and liabilities of ISL;

(ii) The balance sheet of ISL as of December 31, 1969, attested to by

ISL's controller which, to the extent of ISL's knowledge, presents a true and complete statement as of its date of the financial condition and assets and liabilities of ISL;

(iii) A statement of ISL's profit and loss for the period from January 1, 1968 to December 31, 1968, certified by Price, Waterhouse & Co., including the notes thereto, which fully and accurately presents the results of ISL's operations for the period indicated, and

(iv) A statement of ISL's profit and loss for the period from January 1, 1969 to December 31, 1969, attested to by ISL's controller which, to the extent of ISL's knowledge, fully and accurately presents the results of ISL's operations for that period.

d. Except as and to the extent reflected or reserved against in ISL's balance sheets described above, ISL, as of the date thereof, had no liabilities or obligations (whether accrued, absolute, contingent or otherwise)

of a nature customarily reflected in a corporate balance sheet prepared in accordance with generally accepted accounting principles, including, without limitation, any tax liabilities due or to become due and whether

(i) Incurred in respect of or measured by ISL's income for any period prior to the close of business on December 31, 1969, or

(ii) Arising out of transactions entered into, or any state of facts existing, prior thereto.

e. Since December 31, 1969, there has not been:

(i) Any change in ISL's financial condition, assets, liabilities or business, other than changes in the ordinary course of business, the sale of the property which has been the residence of E. Alan Kovar, and the writing off of approximately Twenty Thousand ($20,000.00) U.S.Dollars of testing equipment. Operating losses not in excess of $ for the period from December 31, 1969 to the closing hereof shall not constitute an out of the ordinary change of ISL's condition;

(ii) Any declaration, setting aside or payment of any dividend or other distribution in respect of

ISL's capital stock;

(iii) Any increase in the compensation payable or to become payable by ISL to any of its officers or agents, any wage increases for employees who are considered direct labor, other than normal wage raises, or any increases of compensation payable or to become payable to other employees taken as a group in excess of Ten Thousand ($10,000.00) U.S.Dollars taken on an annual rate.

(iv) Any significant labor trouble or any other event or condition of any character which has materially and adversely affected ISL's business.

f. The accounts receivable shown on ISL's balance sheet of December 31, 1969, are, in the reasonable judgment of ISL, collectible in the aggregate amount shown on that balance sheet, less a reserve of $15,000.00.

g. The inventories of ISL shown on its balance sheet of December 31, 1969 or thereafter acquired by ISL prior to the date of this Agreement, consist of items of a quality and quantity useable in the normal course of ISL's business; the value of obsolete materials or of materials

below standard quality has been written down to realizable market value and the values at which such inventories are carried reflect ISL's normal inventory valuation policy of stating the inventory at cost, not in excess of market, all in accordance with generally accepted accounting principles.

h. ISL has good and marketable title to all of its assets free and clear of all liens and encumbrances except liens and encumbrances resulting from a lending agreement between ISL and the Canadian Imperial Bank, a copy of which is attached hereto as Exhibit . ISL has not received notice of violation of any applicable zoning regulation, ordinance or other law, order, regulation or requirement relating to its operations or to its owned or leased properties.

i. ISL has delivered to PLESSEY accurate lists and summary descriptions, certified by ISL to be correct to the best of its knowledge and belief, of the following:

(i) All real property owned of record or beneficially by ISL and a brief description of the principal buildings and structures located thereon, and all leases of real property to which ISL is a party;

(ii) A copy of the Notification of Approved Export Status issued to ISL by the Government of Barbados, W.I., or

its instrumentality.

(iii) Inventories of finished products and goods in process, materials, supplies, machinery and equipment, as recorded in ISL's books of account and reflected in its balance sheet of December 31, 1969.

(iv) If any, all United States and foreign patents, trademark and trade name registrations, copyrights and copyright registrations which will not have expired on the date of closing, all United States and foreign applications now pending for patents, trademarks or trade name registrations or copyright registrations.

(v) If any, all licenses granted by or to ISL and all other agreements to which ISL is a party which may be in force as of the closing hereof and which relate in whole or in part to any items of the categories mentioned in the subparagraph immediately above or to inventions, discoveries, improvements, processes, formulae, trade secrets, ideas or other know-how, or labels, whether

owned by ISL or otherwise;

(vi) All automobiles and trucks owned or leased (whether by written or oral agreements) by ISL;

(vii) All insurance policies in force with respect to ISL covering all of its assets and operations;

(viii) All existing contracts and commitments of ISL involving payment by ISL of more than $1,000.00 or extending beyond May 31, 2970, or otherwise materially affecting ISL's business, including all contracts made with sales representatives. Except as shown on this list, ISL is not in default under any such contract or commitment;

(ix) The names and current annual salary rates of all of ISL's officers and employees whose current annual salary rate is $10,000.00 or more, together with a copy of any salary plan or plan of fringe benefits paid or payable to such persons, and

(x) The name of each bank in which ISL has an account and the names of all persons authorized to draw thereon.

True and complete copies of all contracts, commitments or other agreements referred to above shall be delivered by ISL to Sinsheimer, Sinsheimer and Dubin, Esqs., 660 Madison Avenue, New York, New York, not later than fourteen (14) days prior to closing.

j. So far as is known to ISL, there is no litigation, proceeding or government investigation pending, threatened or otherwise relating to ISL or to its assets or business or to the transaction contemplated by this Agreement, nor is there any basis known to ISL for any such action. ISL has made known to PLESSEY that it may pursue a purported cause of action against Data 100 Inc. which cause of action shall not be considered an asset of ISL for purposes of this Agreement.

k. All negotiations relative to this Agreement and the transaction contemplated hereby have been carried on by ISL directly with PLESSEY, without the intervention of any person as the result of any act of ISL (and, so far as known to ISL, without the intervention of any other person) in such manner as to give rise to any valid claim against either of the parties hereto for a brokerage commission or any like payment.

11. PLESSEY hereby represents and warrants that it is a corporation duly organized and existing and in good standing under the laws of England. PLESSEY further represents and warrants that the negotiations relative to

this Agreement and the transactions contemplated hereby have been carried on by PLESSEY directly with ISL, without the intervention of any persons as the result of any act of PLESSEY (and, so far as known to PLESSEY, without the intervention of any other person) in such manner as to give rise to any valid claim against either of the parties hereto for a brokerage commission or any like payment.

12. ISL hereby agrees that, pending the closing and except as consented to by PLESSEY in writing:

a. ISL's business shall be conducted only in the ordinary course which shall not include the making of any commitment, other than normal sale and purchase commitments, extending beyond the date of closing other than with PLESSEY's written consent;

b. No dividend or other distribution or payment shall be made or paid in respect of its capital stock;

c. No increase shall be made in the compensation payable or to become payable by ISL to any officer or agent, to any employees who are considered direct labor other than normal wage raises or to any other employees, taken as a group, in excess of Ten Thousand ($10,000.00) U.S.Dollars taken on an annual basis.

d. ISL shall not increase its borrowings as shown on its December 31, 1969 balance sheet;

e. No change shall be made in the banking arrangements reflected in Paragraph 10 (i)(x) hereof;

f. ISL will use its best efforts to preserve its business organization, to keep available to PLESSEY the services of ISL's officers and employees and to preserve for PLESSEY the good will of ISL's suppliers, customers and others having business relations with it; and

g. ISL will duly comply with all laws applicable to it and to the conduct of its business.

13. All of PLESSEY's obligations under this Agreement are subject to the fulfillment, prior to or at closing, of each of the following conditions:

a. PLESSEY shall not have discovered any material error, mis-statement or omission in any of the representations and warranties made by ISL;

b. ISL's representations and warranties contained in this Agreement shall be deemed to have been made again as of the time of the closing and shall then be true in all material respects and ISL shall have performed and complied with all agreements required by this Agreement to be performed or complied with no later than closing;

c. The sale and transfer of its assets, business and good will and its change of name, as provided in this Agreement, shall have been approved by the holders of at least that percentage of ISL's outstanding stock as may be required under the laws of Barbados, W.I.;

d. PLESSEY shall have been furnished with

an opinion dated the closing date of counsel for ISL, Sonnenschein, Levinson, Carlin, Nath & Rosenthal, to the effect that:

(i) ISL is a corporation duly organized, validly existing and in good standing under the laws of Barbados, W.I.;

(ii) The execution, delivery and performance of this Agreement by ISL have been duly authorized and approved by all requisite action of ISL's Board of Directors and stockholders and that this Agreement has been duly executed and delivered by ISL and constitutes the valid and binding obligation of ISL in accordance with its terms;

(iii) The consents to the sale, conveyance, transfer and delivery by ISL of any of its assets which may be required under the provisions of any lending agreement or lease have been duly given; and

(iv) Except as may be specified by such counsel, that they do not know of any litigation, proceeding or governmental investigation pending or threatened against or relating to ISL, its properties or business, or the transaction contemplated by this Agreement, or of any legal impediment

to the operation by PLESSEY of ISL's properties and business in the ordinary course.

e. PLESSEY shall have been furnished with evidence in form and substance satisfactory to PLESSEY to the effect that at the time of closing ISL had good and marketable title to the properties reflected on its balance sheet as of December 31, 1969, free and clear of all liens and encumbrances subject only to the exception mentioned in paragraph 10 above pertaining to a bank lending agreement and to any equipment leases where the covered equipment has been accounted on the ISL balance sheets as assets of ISL, and that the instruments of conveyance and transfer executed and delivered by ISL at the closing are valid in accordance with their terms and effectively vested in PLESSEY good and marketable title, subject only to the aforementioned exception, to all of the property of ISL and its business and good will as contemplated by this Agreement.

f. PLESSEY shall have received an opinion dated the closing of its counsel, J.I. NICHOLS & CO., to the effect that all of the instruments of conveyance and transfer being delivered by ISL to PLESSEY are satisfactory to them.

14. All of the obligations of ISL under this Agreement are subject to the fulfillment no later than closing of each of the following conditions:

a. ISL shall not have discovered any material error, mis-statement or omission in the representations and warranties made herein by PLESSEY.

b. PLESSEY'S representations and warranties contained in this Agreement shall be deemed to have been made again as at the time of closing and shall be true in all material respects and PLESSEY shall have complied with all agreements and conditions required by this Agreement to have been performed or complied with no later than closing.

c. PLESSEY shall have delivered to ISL an opinion dated the closing date of PLESSEY'S counsel, Herbert Oppenheimer, Nathan & Vandyk, to the effect that:

(i) PLESSEY is a corporation duly organized and existing and is in good standing under the laws of England;

(ii) The execution, delivery and performance of this Agreement by PLESSEY have been duly authorized and this Agreement has been duly executed and delivered by PLESSEY and constitutes the valid and binding obligation of PLESSEY in accordance with its terms;

(iii) The undertaking provided for in Paragraph 2 hereof has been duly executed and delivered and is binding and effective according to its terms.

15. Should PLESSEY notify ISL at least fourteen (14) days prior to the closing hereof that it elects to have ISL comply with or join with PLESSEY in complying with any bulk sale procedures it considers applicable hereto, ISL shall take all steps appropriate thereto.

16. PLESSEY may assign this Agreement to a subsidiary corporation, in which event PLESSEY'S sole obligations hereunder shall be to make available to its subsidiary sufficient money as may be required to be paid to ISL under the terms of this Agreement, to make available as provided above the sum of Six Hundred Thousand ($600,000.00) Dollars for the operation of the business during the measuring year and to deliver its undertaking as provided in Paragraph 2 hereof. ($150,000.00)

17. Should any representations or warranties by ISL prove to be inaccurate or untrue, PLESSEY may, in addition to any other remedies available to it, diminish any further payments to ISL by an amount sufficient to cover the damage sustained by reason of the misrepresentation or breach of warranty.

18. It is expressly understood by ISL that this Agreement is subject to the approval of the Bank of England. PLESSEY shall use all reasonable efforts to obtain such approval.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day first above written.

THE PLESSEY COMPANY LIMITED

By_____

INTERNATIONAL SCIENTIFIC LTD.

By_____

Plaintiff's Exhibit No. 3

AGREEMENT dated the 4th day of FEBRUARY, 1970 by and between THE PLESSEY COMPANY LIMITED, a corporation organized and existing under the laws of England (hereinafter referred to as "PLESSEY") and INTERNATIONAL SCIENTIFIC LTD., a corporation organized and existing under the laws of Barbados, West Indies (hereinafter referred to as "ISL").

WHEREAS, ISL desires that all of its properties be sold to PLESSEY on the terms hereinafter set forth; and

WHEREAS, PLESSEY desires to acquire all of the properties of ISL on the terms hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable considerations by each of the parties to the other in hand paid, receipt of which is hereby acknowledged, it is mutually agreed as follows:

1. ISL hereby agrees that, subject to the terms and conditions of this Agreement, ISL will sell, convey, transfer and deliver to PLESSEY, at the closing hereof, all of ISL's then existing assets and business including all of ISL's good will and its right to the use of its name. The assets so to be sold, conveyed, transferred and delivered shall include those owned by ISL on December 31, 1969 balance sheet with only such changes therein as shall have occurred in the ordinary course of ISL's business between December 31, 1969 and the closing, or otherwise as may be consented to or approved by PLESSEY in writing. Without limitation of the fore-

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PLAINTIFF'S EXHIBIT NO. 3

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going provisions, the aforesaid sale, conveyance and transfer shall include all of the following, if any: all of ISL's rights and interests in, to and under all patents, patent applications, trademarks, trademark registrations and applications therefor, copyrights, copyright registrations and applications therefor, issued or pending, all trade names, labels and other trade rights, whether or not registered, all inventions, discoveries, improvements, processes, formulae, trade secrets, ideas, and other know-how, whether patentable or not, and all shop rights, licenses and other agreements (including agreements with ISL's employees) relating in whole or in part to any of the foregoing.

2. PLESSEY hereby agrees that, at the closing, subject to the terms and conditions of this Agreement, and in consideration for the aforesaid sale, conveyance, transfer and delivery, PLESSEY will deliver to ISL a check for One Hundred and Eighty Thousand ($180,000.00) U.S.DOLLARS drawn by PLESSEY to ISL; and PLESSEY shall deliver to ISL an undertaking whereby PLESSEY assumes and agrees to pay, perform and discharge all debts, obligations, contracts and liabilities of ISL, whether accrued, absolute, contingent or otherwise but only if such debts, obligations, contracts and liabilities are reflected on the December 31, 1969 balance sheet of ISL, or if they were incurred in the ordinary course of ISL's business between December 31,1969

and closing, provided, however, that PLESSEY shall not assume nor does it agree to pay any obligation evidenced by convertible debentures issued by ISL (other than interest provided therein to the closing hereof) nor any expenses of redemption or premiums which are necessitated by any such redemptions.

3. ISL hereby agrees that, at the closing, it will deliver to PLESSEY such deeds, bills of sale, endorsements, assignments, and other good and sufficient instruments of conveyance and transfer, in form satisfactory to PLESSEY'S counsel, Sinsheimer, Sinsheimer & Dubin, Esqs., as shall be effective to vest in PLESSEY good and marketable title to the assets and business to be sold, conveyed, transferred and delivered hereunder, all as provided in this Agreement, and all of ISL's contracts and commitments, books (except minute and stock books which shall be and remain available at all reasonable times for PLESSEY'S inspection), records and other data relating to its assets, business and operations, including, without limitation all its notebooks and other records relating to inventions, discoveries, improvements, processes, formulae, trade secrets, ideas, or other know-how whether patentable or not, and trademarks, tradenames or copyrights, whether registrable or not; and that, simultaneously with such delivery, all such steps will be taken as may be required to put PLESSEY in actual possession and operating control

of such assets and business. All such records, data and other documents shall remain available at all reasonable times for ISL's inspection.

4. ISL hereby agrees that, from time to time, at PLESSEY'S request and without further consideration, ISL will execute and deliver such other instruments of conveyance and transfer and take such other action as PLESSEY reasonably may require more effectively to convey, transfer to and vest in PLESSEY, and to put PLESSEY in possession of, any property to be sold, conveyed, transferred and delivered hereunder, and, in the case of contracts and rights, if any, which cannot be transferred effectively without the consent of third parties which is obtainable, ISL agrees to use its best efforts to assure to PLESSEY the benefit thereof. Nothing herein to the contrary, it shall be essential to the closing of this Agreement that ISL obtain and deliver to PLESSEY at the time of closing the consent by the Barbados government or its instrumentality to the assignment of ISL's lease to PLESSEY and to the continuation of all of the terms of that lease. It shall also be essential that ISL deliver at closing the consent by Granite Leasing Corp., or its appropriate affiliate, to the assignment of ISL's equipment leases to PLESSEY, an acknowledgment of PLESSEY'S right to obtain title to all of the equipment heretofore leased to ISL by Granite Leasing Corp. or its affiliate upon the

compliance by PLESSEY of all of the terms of the lease remaining to be performed, and an estoppel letter from Granite to the effect that all of the lessee's obligations to the date of closing have been performed.

5. Paragraph 6 hereof provides that ISL will be entitled to certain additional money depending upon the amount of profits derived from the assets being acquired hereby during the year commencing on the first day of the first calendar month after closing (hereinafter called "the measuring year"). In order to allow those assets to generate profits during the measuring year, PLESSEY hereby agrees that for that period it will:

a. Make available to the business within one week after closing funds totalling not less than Six Hundred Thousand ($600,000.00) U.S.Dollars;

b. Continue ISL'S business in good faith, itself or through a subsidiary,

c. Continue all agreements between ISL and sales representatives in the United States for the measuring year except for those agreements which are terminated for cause, and

d. The present management of ISL shall operate the business during the measuring year and shall have the maximum freedom to operate the business in a manner which will produce, in the judgment of such management, the maximum profit available provided, however, that any policy

directive issued by the directors of PLESSEY shall be complied with. Should PLESSEY propose any course of action which would be detrimental to attaining $360,000 profits during the measuring year ISL management shall have the option of requiring prior to commencement of such course of action that the net additional expenditure of ISL in pursuing such course over and above what it would have incurred if it had not pursued such course be excluded in determining profits. Notwithstanding the foregoing, if ISL profits commencing with the third calendar month of the measuring year average at least Fifteen Thousand ($15,000) U.S.Dollars per month and if there have not been three consecutive months of losses during that measuring year (excluding the first two months thereof), this subparagraph shall no longer apply and PLESSEY shall have the right to assume full management responsibilities. In such event, however, PLESSEY shall be obligated to continue the business of ISL during the measuring year in good faith.

Should the ISL management and PLESSEY disagree whether any course of action be detrimental to attaining $360,000 profits during the measuring year and should the ISL management so notify PLESSEY prior to the commencement of that course of action, the course of action shall nevertheless be followed and the question as to whether it is or has been detrimental to attaining $360,000 profits during the measuring year shall be arbitrated by a national American

accounting firm acceptable both to ISL management and PLESSEY whose determination shall be final and binding. The expenses of the arbitration shall be paid as follows:

a) if the arbitrator determines that all of the proposed course of action was or would be detrimental to attaining $360,000 profits during the measuring year, the entire expense of the arbitration shall be borne by PLESSEY;

b) if the arbitrator determines that none or only some of the proposed course of action was or would be detrimental to attaining $360,000 profits during the measuring year, the expense of the arbitration shall be borne as follows:

i) if the profits during the measuring year, adjusted as may be required by reason of the arbitrator's determination, exceed $360,000, the excess over $360,000 shall be multiplied by four and if the product thereof is sufficient to cover all arbitration expenses all such expenses shall be paid by PLESSEY;

ii) if the profits during the measuring year, adjusted as may be required by reason of the arbitrator's determination, are less than $360,000, the expenses of arbitration shall be borne equally by PLESSEY and ISL. (Should PLESSEY advance any sums which should have been paid by ISL, PLESSEY may deduct a like amount from additional moneys earned by ISL according to Paragraph 6);

iii) if the profits during the measuring year, adjusted as may be required by reason of the arbitrator's determination, exceed $360,000 but not by a sufficient amount, as computed under subparagraph 5(b)(i), to cover all of the

expenses of arbitration, subparagraph 5(b)(i) shall be applied to the extent possible and subparagraph 5(b)(ii) shall apply to the balance of the expenses.

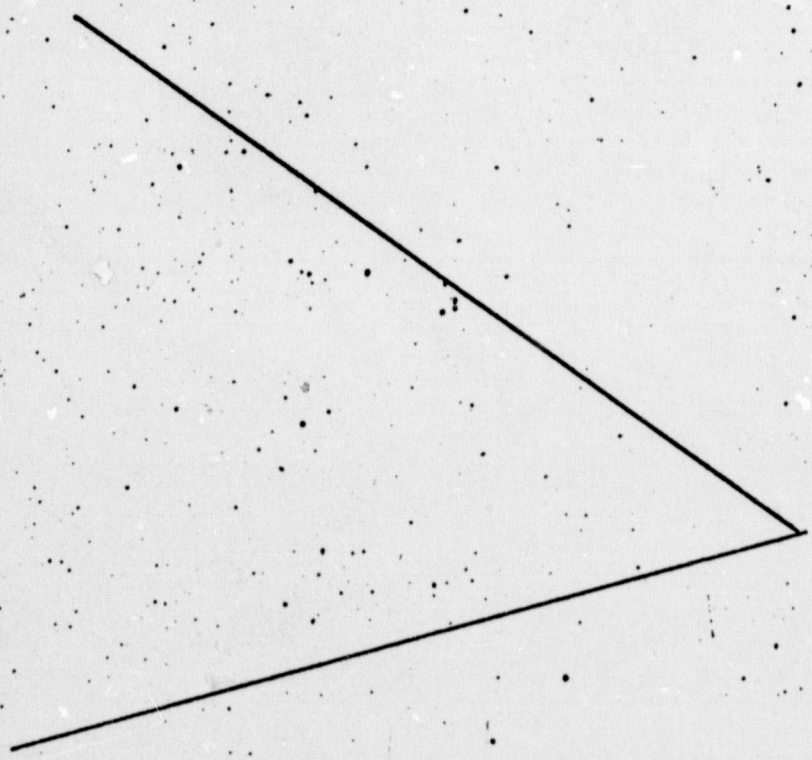
6. If during the measuring year the profits (as defined below) derived from the assets being acquired total Three Hundred and Sixty Thousand ($360,000.00) U.S.Dollars, or more, PLESSEY shall deliver to ISL not later than ninety (90) days thereafter a check in the amount of One Million Two Hundred and Sixty Thousand ($1,260,000.00) U.S.Dollars drawn to ISL. Should the profits be less than Three Hundred and Sixty Thousand ($360,000.00)U.S.Dollars during that period, PLESSEY shall deliver to ISL not later than ninety (90) days thereafter a check drawn to ISL,in an amount which bears the same ratio to One Million Two Hundred and Sixty Thousand ($1,260,000.00)U.S.Dollars that the amount of profits for the measuring year bears to Three Hundred and Sixty Thousand ($360,000.00)Dollars. If no additional money is payable or if the business shall be unprofitable ISL shall nevertheless be entitled to retain the One Hundred and Eighty Thousand ($180,000.00)U.S.Dollars paid to it at closing.

"Profit" as used in this paragraph 6 and in paragraph 5 is intended to and shall include only income or losses (before any taxes measured by income) actually generated by deployment of the assets of ISL such deployment being principally in the manufacture and sale of memory

planes and memory stacks, cable harnesses and other electrical assemblies, and shall not include income or losses resulting from changes in accounting methods, practices or procedures. Accordingly, profits shall be computed in accordance with generally accepted accounting principles applied consistently with those applied by ISL in the past except that:

A) There shall be no write down or charges to profits resulting from facts established to have occurred during years prior to the measuring year;

B) No charge shall be made to profit for any expense of PLESSEY such as managerial services or



additional or new accounting systems or any other services furnished or proposed to be furnished to ISL by PLESSEY which would not have been sustained by ISL had ISL continued the business during the measuring year unless ISL management agrees that any such charge for services shall be made to ISL;

C) Depreciation shall be charged on the same basis as charged heretofore by ISL utilizing the same useful lives and rates;

D) The cost of all research and development, training and engineering instituted by ISL management during the measuring year will be charged against profit as such costs are incurred;

E) Any sale generated by PLESSEY or made by ISL to PLESSEY shall be at the same prices charged by ISL to other customers except there shall be deducted 8% of Barbados f.o.b. prices for all sales generated by or made to PLESSEY for which no commission is to be paid to a salesrepresentative;

F) No charge shall be made against gross income for the cost of the funds made available to the business under the Paragraph 5(a) hereof;

G) As a general guide items of the nature shown as cost of doing business on the ISL proforma income statement which is attached hereto as Exhibit shall be considered proper charges against income for purposes of this Paragraph 6.

7. The closing of this transaction shall take place at a location in Bridgetown, Barbados, W.I., to be selected by PLESSEY at 10 A.M. on MARCH 2, 1970. Either party, however, may by written notice to the other received not later than ten (10) days before that date postpone the closing to a date not beyond fourteen (14) days after the closing date fixed by this paragraph and PLESSEY may extend the closing to a date thirty (30) days after the closing date fixed by this agreement if the Bank of England approval has not as yet been received in accordance with Paragraph 19 hereof. If closing is not consummated because approval by the Bank of England has not been received within the period herein described, this Agreement shall terminate without liability of any kind on the part of either ISL or PLESSEY.

8. ISL hereby agrees that it will duly convene a meeting of the holders of its common stock to be held prior to the date of closing for the purpose of voting upon the sale of its assets in accordance with this Agreement and in order to change its name.

9. PLESSEY hereby agrees that it will take all such actions prior to the date of closing as may be required in order to acquire the assets of ISL on the terms provided in this Agreement.

10. ISL represents and warrants:

a. That ISL is a corporation duly organized, validly existing and in good standing under the laws of Barbados, W.I., and that it has corporate power to carry on its business as it is now conducted.

b. That the execution, delivery and performance of this Agreement by ISL, including, without limitation, the sale, conveyance, transfer and delivery contemplated hereby have been duly and effectively authorized by ISL's Board of Directors, subject to approval by its stockholders as required by law.

c. ISL has delivered to PLESSEY copies of the following financial statements, all of which are true and complete and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods indicated:

(i) ISL's balance sheet as of December 31, 1968, certified by Price Waterhouse & Co. including the notes thereto, which balance sheet presents a true and complete statement as of its date of the financial condition and assets and liabilities of ISL;

(ii) The balance sheet of ISL as of December 31, 1969, attested to by

ISL's controller which, to the extent of ISL's knowledge, presents a true and complete statement as of its date of the financial condition and assets and liabilities of ISL;

(iii) A statement of ISL's profit and loss for the period from January 1, 1968 to December 31, 1968, certified by Price, Waterhouse & Co., including the notes thereto, which fully and accurately presents the results of ISL's operations for the period indicated, and

(iv) A statement of ISL's profit and loss for the period from January 1, 1969 to December 31, 1969, attested to by ISL's controller which, to the extent of ISL's knowledge, fully and accurately presents the results of ISL's operations for that period.

d. Except as and to the extent reflected or reserved against in ISL's balance sheets described above, ISL, as of the date thereof, had no liabilities or obligations (whether accrued, absolute, contingent or otherwise)

of a nature customarily reflected in a corporate balance sheet prepared in accordance with generally accepted accounting principles, including, without limitation, any tax liabilities due or to become due and whether

(i) Incurred in respect of or measured by ISL's income for any period prior to the close of business on December 31, 1969, or

(ii) Arising out of transactions entered into, or any state of facts existing, prior thereto.

e. Since December 31,1969, there has not been:

(i) Any change in ISL's financial condition, assets, liabilities or business,other than changes in the ordinary course of business,the sale of the property which has been the residence of E.Allan Kovar, and the writing off of approximately Twenty Thousand ($20,000.00) U.S.Dollars of testing equipment. Operating losses not at a rate in excess of Twenty Thousand ($20,000.00)U.S.Dollars per month for the period from December 31,1969 to the closing hereof shall not constitute an out of the ordinary change of ISL's condition;

(ii) Any declaration, setting aside or payment of any dividend or other distribution in respect of

ISL's capital stock;

(iii) Any increase in the compensation payable or to become payable by ISL to any of its officers or agents, any wage increases for employees who are considered direct labor, other than normal wage raises, or any increases of compensation payable or to become payable to other employees taken as a group in excess of Ten Thousand ($10,000.00) U.S.Dollars taken on an annual rate.

(iv) Any significant labor trouble or any other event or condition of any character which has materially and adversely affected ISL's business.

f. The accounts receivable shown on ISL's balance sheet of December 31, 1969, are, in the reasonable judgment of ISL, collectible in the aggregate amount shown on that balance sheet, less a reserve of $15,000.00.

g. The inventories of ISL shown on its balance sheet of December 31, 1969 or thereafter acquired by ISL prior to the date of this Agreement, consist of items of a quality and quantity useable in the normal course of ISL's business; the value of obsolete materials or of materials

below standard quality has been written down to realizable market value and the values at which such inventories are carried reflect ISL's normal inventory valuation policy of stating the inventory at cost, not in excess of market, all in accordance with generally accepted accounting principles.

h. ISL has good and marketable title to all of its assets free and clear of all liens and encumbrances except liens and encumbrances resulting from a lending agreement between ISL and the Canadian Imperial Bank, a copy of which is attached hereto as Exhibit . ISL has not received notice of violation of any applicable zoning regulation, ordinance or other law, order, regulation or requirement relating to its operations or to its owned or leased properties.

i. ISL will deliver to PLESSEY, at least fourteen (14) days before the date scheduled herein for closing, accurate lists and summary descriptions, certified by ISL to be correct to the best of its knowledge and belief, of the following:

(i) All real property owned of record or beneficially by ISL and a brief description of the principal buildings and structures located thereon, and all leases of real property to which ISL is a party;

(ii) A copy of the Notification of Approved Export Status issued to ISL by the Government of Barbados, W.I., or

its instrumentality.

(iii) Inventories of finished products and goods in process, materials, supplies, machinery and equipment, as recorded in ISL's books of account and reflected in its balance sheet of December 31, 1969.

(iv) If any, all United States and foreign patents, trademark and trade name registrations, copyrights and copyright registrations which will not have expired on the date of closing, all United States and foreign applications now pending for patents, trademarks or trade name registrations or copyright registrations.

(v) If any, all licenses granted by or to ISL and all other agreements to which ISL is a party which may be in force as of the closing hereof and which relate in whole or in part to any items of the categories mentioned in the subparagraph immediately above or to inventions, discoveries, improvements, processes, formulae, trade secrets, ideas or other know-how, or labels, whether

owned by ISL or otherwise;

(vi) All automobiles and trucks owned or leased (whether by written or oral agreements) by ISL;

(vii) All insurance policies in force with respect to ISL covering all of its assets and operations;

(viii) All existing contracts and commitments of ISL involving payment by ISL of more than $1,000.00 or extending beyond May 31, 1970, or otherwise materially affecting ISL's business, including all contracts made with sales representatives. Except as shown on this list, ISL is not in default under any such contract or commitment;

(ix) The names and current annual salary rates of all of ISL's officers and employees whose current annual salary rate is $10,000.00 or more, together with a copy of any salary plan or plan of fringe benefits paid or payable to such persons, and

(x) The name of each bank in which ISL has an account and the names of all persons authorized to draw thereon.

True and complete copies of all contracts, commitments or other agreements referred to above shall be delivered by ISL to Sinsheimer, Sinsheimer and Dubin, Esqs., 660 Madison Avenue, New York, New York, not later than fourteen (14) days prior to closing.

j. So far as is known to ISL, there is no litigation, proceeding or government investigation pending, threatened or otherwise relating to ISL or to its assets or business or to the transaction contemplated by this Agreement, nor is there any basis known to ISL for any such action other than a suit for wrongful discharge where the maximum exposure of ISL and the maximum exposure assumed by PLESSEY is one month salary of the plaintiff. ISL has made known to PLESSEY that it may pursue a purported cause of action against Data 100 Inc. which cause of action shall not be considered an asset of ISL for purposes of this Agreement.

k. All negotiations relative to this Agreement and the transaction contemplated hereby have been carried on by ISL directly with PLESSEY, without the intervention of any person as the result of any act of ISL (and, so far as known to ISL, without the intervention of any other person) in such manner as to give rise to any valid claim against either of the parties hereto for a brokerage commission or any like payment.

11. PLESSEY hereby represents and warrants that it is a corporation duly organized and existing and in good standing under the laws of England. PLESSEY further represents and warrants that the negotiations relative to

this Agreement and the transactions contemplated hereby have been carried on by PLESSEY directly with ISL, without the intervention of any persons as the result of any act of PLESSEY (and, so far as known to PLESSEY, without the intervention of any other person) in such manner as to give rise to any valid claim against either of the parties hereto for a brokerage commission or any like payment.

12. ISL hereby agrees that, pending the closing and except as consented to by PLESSEY in writing:

a. ISL's business shall be conducted only in the ordinary course which shall not include the making of any commitment, other than normal sale and purchase commitments, extending beyond the date of closing other than with PLESSEY's written consent;

b. No dividend or other distribution or payment shall be made or paid in respect of its capital stock;

c. No increase shall be made in the compensation payable or to become payable by ISL to any officer or agent, to any employees who are considered direct labor other than normal wage raises or to any other employees, taken as a group, in excess of Ten Thousand ($10,000.00) U.S.Dollars taken on an annual basis.

d. ISL shall not increase its borrowings as shown on its December 31, 1969 balance sheet;

e. No change shall be made in the banking arrangements reflected in Paragraph 10 (i)(x) hereof;

f. ISL will use its best efforts to preserve its business organization, to keep available to PLESSEY the services of ISL's officers and employees and to preserve for PLESSEY the good will of ISL's suppliers, customers and others having business relations with it; and

g. ISL will duly comply with all laws applicable to it and to the conduct of its business.

13. All of PLESSEY's obligations under this Agreement are subject to the fulfillment, prior to or at closing, of each of the following conditions:

a. PLESSEY shall not have discovered any material error, mis-statement or omission in any of the representations and warranties made by ISL;

b. ISL's representations and warranties contained in this Agreement shall be deemed to have been made again as of the time of the closing and shall then be true in all material respects and ISL shall have performed and complied with all agreements required by this Agreement to be performed or complied with no later than closing;

c. The sale and transfer of its assets, business and good will and its change of name, as provided in this Agreement, shall have been approved by the holders of at least that percentage of ISL's outstanding stock as may be required under the laws of Barbados, W.I.;

d. PLESSEY shall have been furnished with

an opinion dated the closing date of counsel for ISL, Sonnenschein, Levinson, Carlin, Nath & Rosenthal, to the effect that:

(i) ISL is a corporation duly organized, validly existing and in good standing under the laws of Barbados, W.I.;

(ii) The execution, delivery and performance of this Agreement by ISL have been duly authorized and approved by all requisite action of ISL's Board of Directors and stockholders and that this Agreement has been duly executed and delivered by ISL and constitutes the valid and binding obligation of ISL in accordance with its terms;

(iii) Except as may be specified by such counsel, that they do not know of any litigation, proceeding or governmental investigation pending or threatened against or relating to ISL, its properties or business, or the transaction contemplated by this Agreement, or of any legal impediment

to the operation by PLESSEY of ISL's properties and business in the ordinary course.

e. PLESSEY shall have been furnished with evidence in form and substance satisfactory to PLESSEY to the effect that at the time of closing ISL had good and marketable title to the properties reflected on its balance sheet as of December 31, 1969, free and clear of all liens and encumbrances subject only to the exception mentioned in paragraph 10 above pertaining to a bank lending agreement and to any equipment leases where the covered equipment has been accounted on the ISL balance sheets as assets of ISL, and that the instruments of conveyance and transfer executed and delivered by ISL at the closing are valid in accordance with their terms and effectively vested in PLESSEY good and marketable title, subject only to the aforementioned exception, to all of the property of ISL and its business and good will as contemplated by this Agreement.

f. PLESSEY shall have received an opinion dated the closing of its counsel, J.I. NICHOLS & CO., to the effect that all of the instruments of conveyance and transfer being delivered by ISL to PLESSEY are satisfactory to them.

14. All of the obligations of ISL under this Agreement are subject to the fulfillment no later than closing of each of the following conditions:

a. ISL shall not have discovered any material error, mis-statement or omission in the representations and warranties made herein by PLESSEY.

b. PLESSEY'S representations and warranties contained in this Agreement shall be deemed to have been made again as at the time of closing and shall be true in all material respects and PLESSEY shall have complied with all agreements and conditions required by this Agreement to have been performed or complied with no later than closing.

c. PLESSEY shall have delivered to ISL an opinion dated the closing date of PLESSEY'S counsel, Herbert Oppenheimer, Nathan & Vandyk, to the effect that:

(i) PLESSEY is a corporation duly organized and existing and is in good standing under the laws of England;

(ii) The execution, delivery and performance of this Agreement by PLESSEY have been duly authorized and this Agreement has been duly executed and delivered by PLESSEY and constitutes the valid and binding obligation of PLESSEY in accordance with its terms;

(iii) The undertaking provided for in Paragraph 2 hereof has been duly executed and delivered and is binding and effective according to its terms.

15. Should PLESSEY notify ISL at least fourteen (14) days prior to the closing hereof that it elects to have ISL comply with or join with PLESSEY in complying with any bulk sale procedures it considers applicable hereto, ISL shall take all steps appropriate thereto.

16. PLESSEY may assign this Agreement to a subsidiary corporation, in which event PLESSEY'S sole obligations hereunder shall be to make available to its subsidiary sufficient money as may be required to be paid to ISL under the terms of this Agreement, to make available as provided above the sum of Six Hundred Thousand ($600,000.00) Dollars for the operation of the business during the measuring year and to deliver its undertaking as provided in Paragraph 2 hereof.

17. Should any representations or warranties by ISL prove to be inaccurate or untrue, PLESSEY may, in addition to any other remedies available to it, diminish any further payments to ISL by an amount sufficient to cover the damage sustained by reason of the misrepresentation or breach of warranty.

18. It is expressly understood by ISL that this Agreement is subject to the approval of the Bank of England. PLESSEY shall use all reasonable efforts to obtain such approval.

19. This agreement shall be interpreted under and governed by the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day first above written.

THE PLESSEY COMPANY LIMITED

By _____

INTERNATIONAL SCIENTIFIC LTD.

By _____

SONNENSCHEIN LEVINSON CARLIN NATH & ROSENTHAL
69 WEST WASHINGTON STREET, CHICAGO, ILL. 60602
TELEPHONE ANdover 3-6400

Plaintiff's Exhibit No. 4

February 18, 1970

COPY

Seth H. Dubin, Esq.
Sinsheimer, Sinsheimer and Dubin
660 Madison Avenue
New York, New York 10021

Dear Seth:

This will acknowledge our understanding that the Agreement dated February 4, 1970, between your client, The Plessey Company Limited, and our client, International Scientific Limited, is modified in the two following respects:

1. International Scientific Limited consents to the substitution of Plessey Incorporated, a Delaware corporation, for The Plessey Company Limited wherever the name of The Plessey Company Limited appears in the contract.

2. Paragraph 5d in the Agreement as signed inaccurately expressed the understanding of the parties and should read as follows:

> d. The present management of ISL shall operate the business during the measuring year and shall have the maximum freedom to operate the business in a manner which will produce, in the judgment of such management, the maximum profit available provided, however, that any policy directive issued by the directors of PLESSEY shall be complied with. Should PLESSEY propose any course of action which would be detrimental to attaining $360,000

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SONNENSCHEIN LEVINSON CARLIN NATH & ROS...THAL
69 WEST WASHINGTON STREET, CHICAGO, ILL. 60602
TELEPHONE ANdover 3-6400

profits during the measuring year ISL management shall have the option of requiring prior to commencement of such course of action that the net additional expenditure of ISL in pursuing such course over and above what it would have incurred if it had not pursued such course be excluded in determining profits. Notwithstanding the foregoing, if ISL profits commencing with the third calendar month of the measuring year average less than Fifteen Thousand ($15,000) U.S. Dollars per month or if there have been three consecutive months of losses during that measuring year (excluding the first two months thereof), this subparagraph shall no longer apply and PLESSEY shall have the right to assume full management responsibilities. In such event, however, PLESSEY shall be obligated to continue the business of ISL during the measuring year in good faith.

Your signature on a copy of this letter will acknowledge the assumption by Plessey Incorporated of all the obligations of The Plessey Company Limited under the Agreement and that Plessey Incorporated will have all of The Plessey Company Limited rights under the Agreement.

Your signature will also acknowledge that paragraph 5d shall forthwith be deemed amended to read as it does in this letter.

Very truly yours,

SONNENSCHEIN LEVINSON CARLIN NATH & ROSENTHAL

By Julius Lewis
Julius Lewis

ACCEPTED AND AGREED TO
THIS 20th DAY OF
February, 1970
Sonnenschein Levinson Carlin Nath & Rosenthal
by Seth H Dubin
Attorney for
The Plessey Company Limited
and Plessey Incorporated

COPY

#10

PX 5

Plaintiff's Exhibit No. 5

March 2, 1970.

International Scientific Limited,
Seawell Industrial Park,
Christ Church,
Barbados, W.I.

Dear Sirs:

This will acknowledge our further understanding with regard to the Agreement dated February 4, 1970 between your company and The Plessey Company Limited, which Agreement was thereafter modified on February 18, 1970. One of the effects of that later modification having been to substitute Plessey, Inc. for The Plessey Company Limited as a party.

It is now agreed that:

(1) With regard to monies which Plessey, Inc. is obligated to make available to the business pursuant to Para. 5 (A) of the February 4, 1970 Agreement, there shall be no charge in computing profits pursuant to Para. 6 of that Agreement for the first $600,000 made available, there will be a charge at the rate of 10% per annum for the next $200,000 made available to the business and no further charge in computation of profits under Para. 6 shall be made for any additional monies made available to the business. The determination as to whether monies beyond $600,000 which ~~Plessey is obligated to make available~~ shall be made available by Plessey shall be made by Plessey alone.

(2) The modification Agreement dated February 18, 1970 with reference to the right by Plessey to assume full management responsibilities on the occurrence of certain events is hereby further modified so that if the profits of ISL commencing May 1, 1970 (crediting to the month of May the net profits of the 2-month period comprised of March and April, 1970, but not charging any net loss for that period) average less than $ 15,000 per month, or if there have been three consecutive months of losses during

- 2 -

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#6

March 3, 1970

that measuring year (excluding the first two months thereof), this subparagraph shall no longer apply and Plessey shall have the right to assume full management responsibilities. In such event, however, Plessey shall be obligated to continue the business of ISL during the measuring year in good faith.

Yours truly,

PLESSEY INCORPORATED

By Milton H. Albert

INTERNATIONAL SCIENTIFIC LIMITED

By [signature]

Plaintiff's Exhibit No. 6

Julius Lewis suggests the following: The present management of ISL shall operate the business during the measuring year and shall have the maximum freedom to operate such business in a manner which will produce in the judgment of such management, the maximum profit available consistent, however, with the overall policies of Plessey as established by its directors. Should Plessey propose any course of action which would, in the opinion of management of ISL be detrimental to profits during the measuring year, ISL management shall have the option of requiring prior to commencement of such course of action that the expenditures involved in pursuing such course be excluded from the determination of profits. Notwithstanding the foregoing, if ISL profits do not average $15,000 per month commencing with the third full calendar month after closing, this sub-paragraph shall no longer apply and Plessey shall have the right to assume full management responsibilities. In such event, however, Plessey shall be obligated to continue the business of ISL during the measuring year in such a manner as in Plessey's judgment exercised in good faith will maximize the profits for the measuring year.

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PLESSEY FOLE

RECEIVED

FEB 2 1970

W.J.SINSHEIMER

PLESSEY ILFORD

PLESSEY
1/27/70 A-5274

ATTN: WARREN SINSHEIMER

JULIUS LEWIS SUGGESTS THE FOLLOWING:---THE PRESENT MANAGEMENT OF ISL SHALL OPERATE THE BUSINESS DURING THE MEASURING YEAR AND SHALL HAVE THE MAXIMUM FREEDOM TO OPERATE SUCH BUSINESS IN A MANNER WHICH WILL PRODUCE IN THE JUDGEMENT OF SUCH MANAGEMENT, THE MAXIMUM PROFIT AVAILABLE CONSISTENT, HOWEVER, WITH THE OVERALL POLICIES OF PLESSEY AS ESTABLISHED BY ITS DIRECTORS. SHOULD PLESSEY PROPOSE ANY COURSE OF ACTION WHICH WOULD, IN THE OPINION OF MANAGEMENT OF ISL BE DETRIMENTAL TO PROFITS DURING THE MEASURING YEAR, ISL MANAGEMENT SHALL HAVE THE OPTION OF REQUIRING PRIOR TO COMMENCEMENT OF SUCH COURSE OF ACTION THAT THE EXPENDITURES INVOLVED IN PURSUING SUCH COURSE BE EXCLUDED FROM THE DETERMINATION OF PROFITS. NOTWITHSTANDING THE FOREGOING IF ISL PROFITS DO NOT AVERAGE 15,000 DOLLARS PER MONTH COMMENCING WITH THE THIRD FULL CALENDAR MONTH AFTER CLOSING THIS SUB-PARAGRAPH B SHALL NO LONGER APPLY AND PLESSEY SHALL HAVE THE RIGHT TO ASSUME FULL MANAGEMENT RESPONSIBILITIES. IN SUCH EVENT, HOWEVER, PLESSEY SHALL BE OBLIGATED TO CONTINUE THE BUSINESS OF ISL DURING THE MEASURING YEAR IN SUCH A MANNER AS IN PLESSEY'S JUDGEMENT EXERCISED IN GOOD FAITH WILL MAXIMIZE THE PROFITS FOR THE MEASURING YEAR.

SETH

PLESSEY FOLE
C
PLESSEY ILFORD

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1641

Plaintiff's Exhibit No. 7

MR SETH DURAN

NEW YORK

4(5)(d)

WOULD PREFER FOLLOWING LANGUAGE:

"THE PRESENT MANAGEMENT OF I.S.I. SHALL OPERATE THE BUSINESS DURING THE MEASURING YEAR AND SHALL HAVE THE MAXIMUM FREEDOM TO OPERATE THE BUSINESS IN A MANNER WHICH WILL PRODUCE, IN THE JUDGMENT OF SUCH MANAGEMENT, THE MAXIMUM PROFIT AVAILABLE, PROVIDED, HOWEVER, THAT ANY POLICY DIRECTIVE ISSUED BY THE DIRECTORS OF PLESSEY SHALL BE COMPLIED WITH.

SHOULD PLESSEY PROPOSE ANY COURSE OF ACTION WHICH WOULD BE DETRIMENTAL TO PROFITS DURING THE MEASURING YEAR ISL, MANAGEMENT SHALL HAVE THE OPTION OF REQUIRING PRIOR TO COMMENCEMENT OF SUCH COURSE OF ACTION THAT THE NET ADDITIONAL EXPENDITURE OF I.S.I. IN PURSUING SUCH COURSE OVER AND ABOVE WHAT IT WOULD HAVE INCURRED IF IT HAD NOT PURSUED SUCH COURSE BE EXCLUDED IN DETERMINING PROFITS. NOTWITHSTANDING THE FOREGOING, IF I.S.I. PROFITS ARE NOT AT LEAST FIFTEEN THOUSAND (#15,000) U.S. DOLLARS PER MONTH IN ANY FULL MONTHS COMMENCING WITH THE THIRD CALENDER MONTH OF THE MEASURING YEAR, THIS SUB PARAGRAPH SHALL NO LONGER APPLY AND PLESSEY SHALL HAVE THE RIGHT TO ASSUME FULL MANAGEMENT RESPONSIBILITIES. IN SUCH EVENT, HOWEVER, PLESSEY SHALL BE OBLIGATED TO CONTINUE THE BUSINESS OF I.S.I. DURING THE MEASURING YEAR IN GOOD FAITH."

REGARDS

I SIMSHEIMER ILEGED

SENT 23/1/74 BP

PX 8

Plaintiff's Exhibit No. 8

INTERNATIONAL SCIENTIFIC LIMITED

MINUTES OF BOARD OF DIRECTORS' MEETING

31 January 1970

New York City, New York

A meeting of the Board of Directors was held at the St. Regis Hotel in New York City, New York, on January 31, 1970.

There were present:

RAYMOND N. CARLEN

VICTOR L. JOHNSON

E. ALLAN KOVAR

L. G. VAN BELLINGHAM

After review and discussion of the present status of the business of the Corporation, Mr. Carlen presented and moved the adoption of, and Mr. Johnson seconded the adoption of, the following resolutions, and such resolutions were unanimously adopted:

RESOLVED, that in the judgment of the Board of Directors of the Corporation, it is deemed advisable and for the benefit of the Corporation that it should be liquidated and dissolved;

RESOLVED, that, subject to approval of the stockholders of the Corporation, and effective with the date of such approval, a plan of liquidation be, and it hereby is, formulated to effect such liquidation and dissolution in accordance with the following resolutions;

RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized to sell or otherwise liquidate any and all of the properties of the Corporation which in their judgment should be sold or liquidated to facilitate the liquidation of the Corporation;

RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized and directed to file such certificates as may be necessary or required under the appropriate corporation and other laws of Barbados and such other jurisdictions as may be appropriate;

RESOLVED, that, after completion of the sale of any or all of the properties of the Corporation, as authorized herein, and after providing for all proper debts of the Corporation, the remaining assets of the Corporation shall be distributed to the stockholders of the Corporation;

RESOLVED, that the action provided for in the foregoing resolutions, providing for the complete liquidation of the Corporation and the sale or distribution of its assets, be commenced as soon as practicable, and that such assets be sold or distributed and the dissolution be completed as soon as practicable, but in no event later than the termination of a twelve-month period commencing with the date of stockholder approval of this plan of complete liquidation;

RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized and directed to pay all such fees and taxes and to do or cause to be done such other acts and things as they may deem necessary or proper in order to carry out the liquidation and dissolution of the corporation and to fully effectuate the purposes of the foregoing resolutions; and

RESOLVED, that a special meeting of stockholders be called to consider the above resolutions.

Thereafter, the Board of Directors reviewed and discussed a proposed agreement between The Plessey Company Limited and the Corporation providing for acquisition of the Corporation's assets (less the demand note of Victor L. Johnson) and the assumption of the Corporation's liabilities

(less the 10 year corporate debentures) and Mr. Carlen moved and Mr. Johnson seconded the following resolutions which were unanimously carried:

RESOLVED, that the directors of this corporation hereby approve and recommend to the shareholders of this Corporation for their approval the sale to The Plessey Company Limited of all the assets of this Corporation subject to the assumption by the Buyer of certain liabilities of this Corporation, as set forth in the aforementioned agreement; on receiving the approval of such sale by the holders of three quarters of the outstanding shares of Class A stock of this Corporation, the execution and delivery of that agreement by certain officers on behalf of this Corporation is ratified, confirmed and approved and the proper officers of this Corporation are authorized and directed to make such changes in that agreement as in the opinion of the directors shall be necessary or appropriate, and to execute and deliver all documents and take all other action as in their opinion may be necessary or appropriate to effectuate such sale and perform such agreement.

FURTHER RESOLVED, that the directors of this Corporation hereby approve and recommend to the shareholders of this Corporation for their adoption in connection with the sale of its assets the following amendment to the Memorandum of Association of this Corporation: The name of this corporation is hereby changed to SCIENTIFIC HOLDING COMPANY, LTD., and the officers of this corporation are hereby authorized and directed to execute such documents and take such action as may be necessary to effectuate such amendment.

Upon the motion of Mr. Carlen and the second by Mr. VanBellingham, it was unanimously resolved that the corporate debenture holders be offered two options: (1) to convert their debentures to stock by way of their stock warrants as of March 1, 1970, and (2) to waive their stock warrants and to stand as prime creditors upon the dissolution of the Company.

Upon the motion of Mr. Carlen and second by Mr. Johnson, it was unanimously resolved that the $180,000 down payment by Plessey be used to pay interest on debentures from closing date to date of dissolution, plus early redemption premiums upon said debentures, plus any difference between

debenture face value and stock warrant value where warrants are exercised, the remaining amount being invested and held until final dissolution.

Upon the motion of Mr. Carlen and the second of Mr. Johnson, it was unanimously resolved that sufficient Class B shares be offered to those persons who exercise special employee options at a price of or in excess of $2.00 (U.S.) per share and who still have an active relationship with the Company so that said persons shall hold said optional shares at a base cost of $1.00 (U.S.) per share.

The Directors unanimously resolved that meetings of the shareholders be called as soon as properly permissible to approve the sale to Plessey and to appoint the present Directors liquidators of the Company. The Directors further resolved that Messrs. Johnson and Kovar or whichever is present be appointed as proxy holder for said meeting.

There being no further business to come before the Board, the meeting was adjourned.

Secretary

President

Plaintiff's Exhibit No. 9

PX 9

DX M

INTERNATIONAL SCIENTIFIC LIMITED

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

An extraordinary general meeting of the shareholders of International Scientific Limited will be held at its offices at Seawell, Barbados, on Saturday, February 14, 1970, at 10:00 a.m. for the following purposes:

1. To consider as a special resolution a resolution unanimously proposed by the Board of Directors authorizing International Scientific Limited to sell substantially all of its assets to The Plessey Company Limited, an English corporation, in exchange for cash, additional cash if certain contingencies occur, and the assumption of certain liabilities of International Scientific Limited.

2. To consider as a special resolution a resolution unanimously proposed by the Board of Directors changing the name of the Company to Scientific Holding Company Limited.

3. To transact such other business as may properly be brought before such meeting.

The close of business on February 2, 1970, has been fixed as the record date for the determination of the shareholders entitled to notice of and to vote at this meeting.

If you as a Class A (voting) Shareholder, do not expect to be present at this meeting, or if you expect to be present but wish to have your stock voted by proxy, kindly fill in, sign and return the enclosed proxy promptly. A return stamped envelope which requires no additional postage if mailed in the United States is enclosed for your convenience.

Victor L. Johnson,
Secretary

PROXY STATEMENT

The following statement is furnished in connection with the solicitation by the management of International Scientific Limited (the "Company") of proxies to be used at an extraordinary general meeting of shareholders of the Company to be held on Saturday, February 14, 1970, at the time and place and for the purpose set forth in the accompanying Notice of Extraordinary General Meeting of Shareholders. A form of proxy is enclosed with this statement. Any shareholder giving a proxy has the right to revoke it at any time before it is exercised.

SOLICITING PROXIES

The cost of preparing, assembling and mailing the proxy statement, the proxy form and related material, to be furnished to the shareholders in connection with the solicitation of proxies by the management for the above-mentioned meeting, will be borne by the Company. The management has made no arrangement to solicit proxies for this meeting other than by use of the mails, but further proxy solicitation may be made, in the case of some shareholders, by telegraph or telephone or by personal calls by regular employees or other representatives of the Company.

VOTING SECURITIES

The voting securities of the Company consist of Class A common stock. Class A shareholders of record at the close of business on February 2, 1970, will be entitled to vote at the meeting. Each share of this class of stock entitles the holder thereof to one vote. At the close of business on February 2, 1970, there were 246,047 shares of Class A common stock outstanding.

PROPOSAL FOR SALE OF ASSETS OF THE COMPANY

The Board of Directors has unanimously approved the execution of a contract between the Company and The Plessey Company Limited ("Plessey"), an English corporation, providing for the sale by the Company of substantially all its assets to Plessey in exchange for the payment by Plessey of $180,000 (U.S. Dollars) in cash, the assumption by Plessey of substantially all of the Company's liabilities other than the 10 year Debentures in the principal amount of $470,205.02, the immediate investment by Plessey of $600,000 in the Company, and the agreement of Plessey to make an additional payment of not more than $1,260,000 one year after the closing of the transaction if the Company's profits (as defined by the contract) equal $360,000 during the year commencing with the first of the month following closing (the "Measuring Year"). If less is earned the additional payment will be proportionately reduced; for example, if profits equal $180,000 during the Measuring Year the additional payment would be $630,000.

Operating management of the Company will remain the same during the Measuring Year unless average earnings commencing with the third month of the Measuring Year are not at least $15,000 per month or unless there are losses during three consecutive months of operations commencing with the third month. If Plessey were to assume the operating management of the Company during the Measuring Year, it would be obligated to exercise good faith in its management of the Company to the end that a maximum payment would be made at the end of the Measuring Year.

The contract is subject to approval by three-quarters of ISL shareholders voting at the extraordinary general meeting. If approved, the action of shareholders must be confirmed at a subsequent shareholders meeting, now anticipated by management to be held on February 28th. Management anticipates that the transaction would be closed within a few days thereafter. A copy of the contract with Plessey and a copy of Plessey's last annual report will be forwarded to you within the next three days. The foregoing summary is qualified by reference to that contract.

Plessey has purchased the Villa in Barbados formerly owned by the Company for a price of $80,000. The Villa was originally purchased for $54,000. The net proceeds of the sale will enable the Company to operate until the closing of the transaction with Plessey. If such purchase had not been made, the Company would have been unable to continue operations due to lack of working capital.

The Board has attempted to negotiate various transactions providing for the investment of additional funds in the Company or for a sale or merger of the Company. None of such attempts other than the contract with Plessey has met with any success, and the Board believes that the sale to Plessey is the only alternative to insolvency proceedings.

The only liability of the Company not to be assumed by Plessey are the 10 year debentures in the principal amount of $470,205.02. These debentures carry stock warrants entitling the holders to purchase common stock in the Company at prices ranging from $1.50 to $5.00 per share. The Board is, concurrently herewith, asking the debenture holders to now select one of the following options:

1. to convert their debentures to stock as of the closing date of this transaction by the exercise of their stock warrants (receiving interest payments to date along with the early redemption premium called for in such debentures, as well as any surplus payment representing the debenture value over and above the value of the stock under warrant) and, thereafter, standing in the same position as all other Company shareholders, or

2. to waive their right to the exercise of the stock warrant, and to stand as a prior creditor to the Company upon the final closing of the Company's accounts after the conclusion of the Measuring Year.

No payment to shareholders will be made until the end of the Measuring Year. Depending upon how many debenture holders select which option, there will be approximately $1.80 to $2.05 available per share upon distribution to shareholders, if the Company receives the maximum payment under the contract.

All dollar figures in this proxy statement refer to United States dollars.

CHANGE OF NAME

If the sale of assets to Plessey is consummated, the Company will be required to assign its right to the name "International Scientific Limited" and to adopt a new name. Management recommends that shareholders vote for changing the name of the Company to Scientific Holding Company Limited.

VOTING

As of February 2, 1970, there were outstanding 246,047 shares of the Class A (voting) stock and 216,423 shares of the Class B (non-voting) stock. Stock of Class A is entitled to one vote per share. The affirmative vote of three-quarters of the shareholders entitled to vote as are present in person or by proxy is necessary for the adoption of Proposal 1, the sale to The Plessey Company Limited and Proposal 2, the change of the Company's name.

The close of business on February 2, 1970, has been fixed as the record date for the determination of the shareholders entitled to notice of and to vote at this meeting.

If the enclosed form of proxy is properly executed and returned, the shares represented thereby will be voted in accordance with the instructions specified thereon and if no contrary instructions are specified, the shares will be voted FOR the adoption of Proposals 1 and 2. Anyone giving a proxy may revoke it any time before it is exercised.

OTHER MATTERS

The management does not intend to present any business at this meeting other than the matters mentioned above and the management was not aware of any other matters to be presented for action at the meeting. If any other matters do come before the meeting, it is intended that

proxies in the form of the enclosed proxy will be voted thereon in accordance with the judgment of the person or persons voting the proxies. Discretionary authority to vote on such other matters is conferred by such proxies upon the persons voting them.

Victor L. Johnson,
Secretary

February 2, 1970

PROXY

The undersigned hereby appoints E. Allan Kovar and Victor L. Johnson, or one of them, if only one be present and acting, with full power of substitution, attorneys for the undersigned, to vote the shares of stock which the undersigned would be entitled to vote if personally present at the extraordinary general meeting of shareholders of International Scientific Limited, to be held at its plant at Seawell, Barbados on Saturday, February 14, 1970, at 10:00 A.M., and at any adjournment or adjournments thereof;

The Board of Directors recommend that shareholders vote FOR

1. FOR [__] AGAINST [__] Approval of resolution authorizing the sale of substantially all of the assets of International Scientific Limited to The Plessey Company Limited, an English corporation.

The Board of Directors recommends that shareholders vote FOR

2. FOR [__] AGAINST [__] Approval of a resolution changing the name of the Company to Scientific Holding Company Limited.

The Board of Directors recommends that shareholders vote FOR

3. FOR [__] AGAINST [__] In their discretion for such other matters as may properly come before this meeting

Dated: , 1970

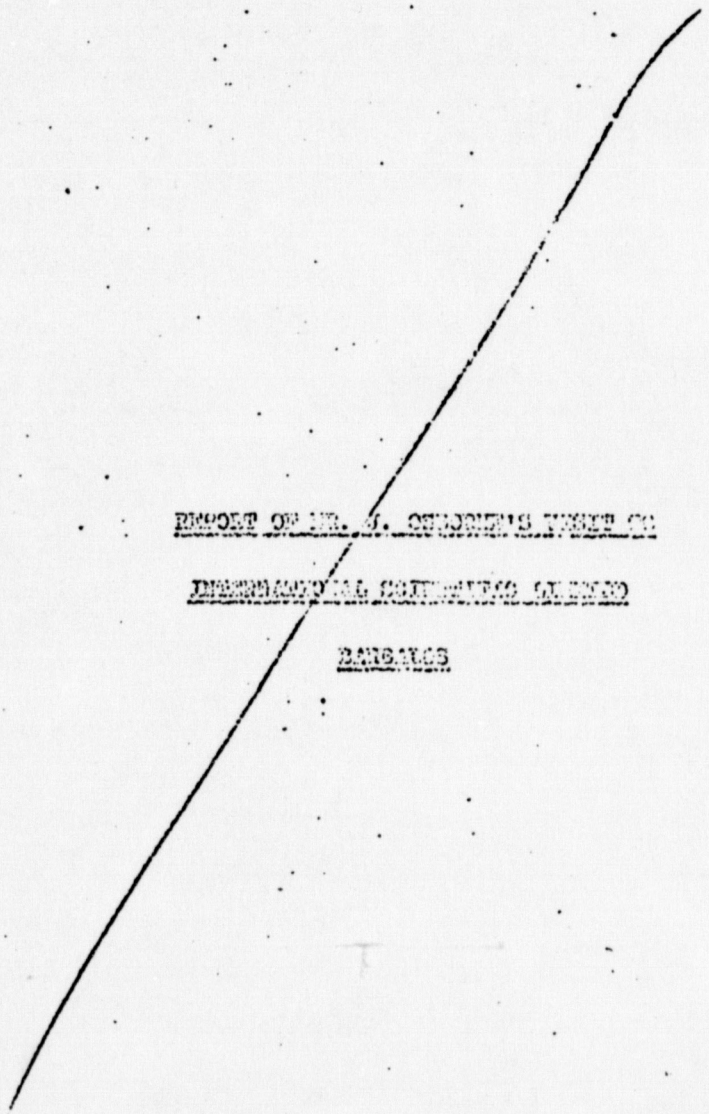
_____
Signature

This proxy will be voted as specified, and if no specification is made, FOR Proposals 1 and 2. Even though you submit this proxy, should you be able to attend the meeting, you will be able to vote in person at the meeting if you so desire.

MR. MILTON H. ALBERT

Plaintiff's Exhibit No. 10

PX 10



REPORT OF MR. H. CHILDREN'S TRIP TO

DEGUSSA-HULS CONTACTOR PLANT

RANGAS

DEPT. Ex. - Identification for id.
11/30/42
PX 10

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Reason for Visit

To determine the efficiency and general production standard of the above Company in the manufacture of Metal Plates and Stove Assemblies.

Production management was headed by a Mr. J. Nordstoff an Industrial Engineer, and comprised of young American personnel who had worked with various Bedaux production control systems. These had previously been employed by Ferrocraft and appeared to be a splinter group endeavouring to use methods of maintenance that had been previously seen and adopted as the general standard. In consequence the layout of the production lines, jigs and fixtures, were nothing and nothing forbidden, together with general husbandry lacked the detail and meticulous attendance of line management associated with our own Company.

Some measure of Production Control and Cost control has been implemented at management level but is not functional at floor level and in consequence the mission of operator performance appeared to lack of progress or effective by not count and not individual attainment. These measures of control appear primitive and payoff in the labour utilisation closing discussion how reluctantly they proceed to be cancel from production management. The operators who can perform find themselves being punished for higher piece prices, and after short bursts of activity inevitably return to excessive times, with the result that the overall labour utilisation drops alarmingly. With utilisation of labour not established, or controlled, the labour force cannot appear other than inefficient. Only 40% of the 317 operations are capable of working a complete unit, which, by the nature of the product, and the extreme subdivision of limited quantities, is causing considerable problems that cannot be resolved at short notice. Of the 40% it is fair to write that the working was of reasonable quality, and the performance/standard average without being exceptional. To our own standard standard the overall performance observed would give a return of 65 to 70 minutes acquired to produce 60 minutes of standard time. The loss is quoted to be in the lack of sustained effort due to unnecessary interruptions or movement attracting attention, and the proximity of other operators making conversation easy and disrupting concentration. Incentive was not evident at any time during the hours spent on the production floor, although operations appeared to be continuous, and helpful and would be disposed to accepting such higher methods. The remaining 60% were confined to X, Y and Jubilee Union, and due to the lack of continuity of work, were expected to cover 50, 30 and 20 and cases as clothed by practical requirements which even again would be unfavourable to performance. Some 16 mil cells were being worn, and 35 variations of jobs were being manufactured, and it is mainly due to this diversification that management supervision does not meet the necessary requirements to steadily produce output, and bottlenecks are apparently visible and unavoidable. Under reasonable production times layout available the operation could be attained very easily by maintenance of good production methods, and work study methods applications. The overall labour utilisation figure should this view with a return of only 35% against a standard of 75% to 80% to become an effective and profitable business.

Positive action was taken to stabilise the labour force and reduce operator excess hours by dismissing approximately 100 personnel after a period of forward load in June. This produced output figures of $146,000 and $142,000 U.S.A. dollars for the month of July and August, but the pressure could not be maintained and the September figure was reduced to $105,000 with a return of just over 50% utilisation of labour using my own calculations.

Conclusion

The labour force has good potential, it has all round experience of variations of weaving techniques, and could be brought into line in a very short period of time. The management team is young, but very enthusiastic, and require experience in the use of management tools such as Cost Control, Production Control and shop floor layout and husbandry as used by Plessey. With a very firm hand controlling expenditure and reducing excesses, together with complete shop floor control, the deficit which was calculated to be about $70,000 dollars for the month of December could be at break even point by the end of March i.e. approximately $135,000 dollars output per month required by the end of April. The envisaged and current output orders for the year 1970 are in the hands of Mr. Milton H. Albert a financial controller from Plessey Incorporated, who, after researching the financial aspect of the Company reached the same conclusion. Any negotiation that may take place would be carried out with the position that Scientific Instruments Limited is a viable proposition.

MANUFACTURING DETAILS AND SUBSIDIARY INFORMATION

Mat Manufacture

50, 30, 20 and 16 mil Mats with some stretched wire. Currently averaging 35 variations.

Stack Manufacture

50, 30 and 20 mil Stacks using wire and cash technique. Diode and Transistor boards. Closely supervised by U.S.A. Engineers.

Store Manufacture

50, 30 and 20 mil stores with self designed covers. Cable Harness to plug on socket units. Competent basics and learning. Males used but closely supervised by U.S.A. Engineers.

Pulse Testing

Two Machines:- 1 C.T.C. Model M20;
1 D.E.C. Model M1527

The D.E.C. was supplied by Plessey.
Testing equipment was adequate without being plentiful. All male staffed. Repairs carried out by Electronic Engineer, U.S.A. Nationality.

Inspection

Q.A. and C.C. is operated by American Engineers with sensible sampling and recording; history sheets controlling manufacture. 185 female and male 10 hour Mexicans are in use.

Unsatisfactory Materials

Where safe and stable trade facilities exist.

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Labour Force

317 Female Operators

6 Male Supervisors

13 Male Ancilliaries

Comprising of:-

40% Fully trained at 65 minutes to the standard hour

60% Semi-trained at 82 minutes to the standard hour.

Utilisation of Labour

Average of 40% for December due to inability to purchase cores. Suppliers cancelled all further credit. (With materials using current methods labour utilisation would reach approximately 65 to 68 percent)

Cash requirements in U.S.A. currency

$300,000 immediately.

$200,000 for working capital.

+ Refund of bank interest charges.

Production Mix

44% Complete buy and manufacture.

30% Contracted for labour only.

6% Partially contracted.

Selling price U.S.A. currency per hour

$5.00 All materials purchased.

$4.00 Partial contract 50/50.

$3.00 Contracted for labour only.

$2.50 All I.B.H. work to date.

Floor Space

28,000 square feet Production

5,000 square feet Office Block.

Absenteeism

Average of 4 to 5% usually with acceptable reasons.

Salary

Ranges from 19 to 27 British West Indies Dollars.
Exchange rate 4.80 dollars to £1.
Average hourly rate = 57 cents.
Sterling conversion:-
Range from £3.18.0 to £5.12.0 per 40 hour week.
Average = 2/4½ per hour.

Work Measurement

Pre determined time standards allowing 1.13 hours per day fatigue and personal needs. The operators are for light and operators have little chance of earning bonus. Well operational standards are not yet complete and the emphasis is to major operations only. No step watch studies have been taken. No major check to actual curves have been made.

Factory Layout

Primitive and lacks production oriented thought. Work benches and seating facilities utility without operator comfort. Lighting adequate but candle power not measured and fluorescent tubes not diffused.

Site and Air Services Information

Option to purchase 7.5 acres adjoining factory 300 yards to Airport.
Approximately one hour delay of materials through customs.
Winter schedules of three Airlines
B.O.A.C. from Glasgow, Manchester and connecting London.
Pan-American from New York.
B.W.I. locally owned using 727 Boeings.

Labour situation

No advertisement necessary for female labour. Predominently travel to work using public service vehicles. Distance approx. 4 to 5 miles.

Factory Hours

2 Shift system. 7.70 hours per shift.
5 Day week to average 40 hours per week.

Canteen Facilities

Provision of eating area only. Privately administered.

Toilets

22 Female 7 Male

Showers and Rest Room

No provisions.

Security

2 Guards working alternate nights.

Education

To elementary standards. No illiteracy.

Unions

Exist - but not operative.

Cleanliness

Overall in Blouse form provided. Shop floor husbandry untidy and dirty. No check made in toilet areas.

Safety

Negative.

Labour Requirements

Bausch and Lombo eye tester for standard requirements.
No factory Doctor.

Factory Layout

Primitive.

Holidays

2 Weeks Annual Holiday (taken at Christmas)
11 Days paid taken during year.

Consolidated Returns (U.S.A. Dollars) for 1970

	$ 1,379,000	Prime Profit
Less	$ 500,000	Managing Expenses
	46,000	Engineering
	30,000	Marketing
	200,000	Administration
	776,000	
+ 25%	194,000	
TOTAL	970,000	= $375,000 Profit

J. Osborne

Distribution

Mr. J. Clark
Mr. H. Clark
Mr. W.J. Hinchcliffe
Mr. M.J. Talmiel
Mr. C.H. Yount
Mr. G. Smith
Mr. Milton H. Albert
Mr. H.J. Crocker (2)
Mr. D. Holmes
Mr. W.F. Sweeney
File

International Scientific Limited.
P.O. Box 695, Paddington, Hamilton, W.I.

Telephone: 97133
Telex: ISL BAH WW25
Cable: Internsl Hamilton

Plaintiff's Exhibit No. 11

PX 11

25 February 1970

MEMORY STACKS U.S.A.

Pl's Ex. - Clerk 8 Found. 11/29/72 - RGM

INDEX

1. Memory Stacks U.S.A.

2. I.S.L. History and Present Status.

3. The Proposed re-organisation.

4. Cash Flow.

5. Matrix U.S.A. Forecast Profit and Loss Account Based on I.S.L. Barbados.

6. Notes on Forecast Profit and Loss Account and Cash Flow.

. . . . . .

MEMORY STACKS U.S.A.

A Matrix U.S.A. Plan was put before the Board in September, 1969. Since that time an opportunity has arisen to purchase a Barbados based Core Weaving, Assembly and Engineering Company known as International Scientific Limited, with an existing agency sales force in the United States.

The objective of this report is to propose the integration of International Scientific Limited with the Matrix U.S.A. Business Plan to form a virtually independant and total facility in the Core Memory Stack Business, the proposal does not include the manufacture of Ferrite Cores.

The objective will be as the U.S.A./Matrix plan, namely to achieve a penetration of 5% of the available U.S.A. Memory Stack market, i.e., sales of over £2,000,000 in 1973/74. The acquisition of International Scientific Limited will provide us with an opportunity to reach our original target more quickly.

I.S.L. HISTORY AND PRESENT STATUS

International Scientific Limited was incorporated in Barbados on 23rd July, 1966, under the direction of E.A. Kovar, President. On 4th April, 1968, the Company was granted Approved Export Manufacturer status with a declared Official Production Date commencing 1st January, 1968. This Export status granted I.S.L. corporate tax exemption for a period of ten years.

I.S.L. entered into an agreement with the Industrial Development Corporation (a Barbadian Government corporation) to provide them with an air-conditioned factory of 23,000 sq. feet, situated at Seawell, Christ Church, adjacent to the Barbados Airport. I.S.L. have at their own expense extended the factory by adding 3,500 sq. feet.

The lease offers I.S.L. the opportunity to purchase at any time during its duration, it runs for a period of 25 years with an option to extend for two similar periods. It should be noted that this lease agreement has not been signed due to a disagreement between I.S.L. and I.D.C. on the annual rent. The current financial position of I.S.L. is such that without the injection of additional working capital, the company will cease to operate as of end February 1970. Plessey Electronics Corporation in February transferred $84,000 U.S. for the purchase of the house occupied by E.A. Kovar and owned by I.S.L., this cash is just sufficient to keep the company operating until March 2nd, 1970 proposed closing date.

THE PROPOSED RE-ORGANISATION

The Memory Division of Plessey Inc. will be under the direction of a General Manager controlling both the Long Island and Barbados operations. In view of the nature of the contract with I.S.L. it is proposed that Mr. A. Kovar be made acting General Manager with a clear understanding that during the first twelve months a permanent and more competent General Manager be appointed at any time. The Long Island facility will be run by a Marketing Manager responsible for the direction of the Agents and the building up of a minimal in house sales force. He will also control a customer engineering capability covering Test, Repair, Service, and Outline Design. It is suggested that Mr. A. Kovar continue to be resident in Barbados since it is in this area that his expertise and local knowledge will be of more use. The Barbados facility will continue to cover detailed design for Manufacture, Manufacturing Engineering, Production and Accounts.

Peter Hewitt, currently Manager of our Portuguese operation will be seconded to Barbados to assume control of manufacture for a minimum period of six months.

It is imperative that a suitable control of accounting be exercised by Plessey.

Currently I.S.L. purchase through a Purchasing Agent in the U.S.A. This procedure will be replaced by direct buying through Plessey Electronics Corporation.

The Barbados facility together with those in Portugal and Malta will afford the Plessey Company the ability to offset lack of capacity in any one area of a world wide flexibility of production.

NOTE This Business plan should be read in conjunction with the Report on the Proposed Acquisition of I.S.L. Seawell Barbados by Plessey Incorporated attached, together with The Matrix U.S.A. Business plan published on 26th September, 1969, copies of which are also attached.

CASH FLOW

	1969/70	1970/71	1971/72	1972/73	1973/74	Y
Pre-Tax Profit	59	344	504	647	810	
Tax Free 8 Years	-	-	-	-	-	
	59	344	504	647	810	
Debtors 90 days	(115)	(220)	(100)	(90)	(100)	
Stocks	(90)	(180)	(80)	(70)	(80)	
Creditors	30	25	15	5	10	
	(116)	(31)	339	492	640	
Fixed Assets	-	(100)	(25)	(25)	(25)	
Depreciation	-	20	25	30	35	
	(116)	(111)	339	497	650	
Purchase Price	(75)	(525)	-	-	-	
Plessey Cash Flow in Barbados	(191)	(636)	339	497	650	
Cumulative	-	(827)	488	9	659	

D.C.F. RATE = 30%+

MATRIX U.S.A. FORECAST PROFIT AND LOSS ACCOUNT

BASED ON I.S.L. BARBADOS

	1969/70 ½ Year	1970/71	1971/72	1972/73	1973/74
	£K	£K	£K	£K	£K
Deliveries	460	1,350	1,750	2,100	2,500
Direct Material		3240.00		5040	
Cores)	-	250	315	345	377
Others)	149	89	125	160	200
	149	339	440	505	577
Direct Labour	30	97	143	190	252
	179	436	583	695	829
All Overheads in Barbados	170	320	340	370	400
Added Depreciation	-	20	25	30	35
	349	776	948	1,095	1,264
Freight and Duty	32	95	123	148	176
Commission and Sales Costs	20	135	175	210	250
	401	1,006	1,246	1,453	1,690
Profit	59	344	504	647	810

NOTES ON FORECAST PROFIT AND LOSS ACCOUNT AND CASH FLOW

1. Core Costs are based on Purchases from Towcester at an average of 0.3d. each in 1970/71 reducing to 0.2d. each in 1973/74. At a later stage the viability of core manufacture in Barbados will be evaluated.

2. If we assume that the current assets/liabilities of I.S.L. will remain as at 31st December, 1969, there is virtually no difference between the two. Stocks and Debtors amount to £178K. and Creditors £168K.

Plaintiff's Exhibit No. 12

17 March 1970

PROPOSED

ORGANIZATION & OPERATIONS PLAN

FOR

PLESSEY/ISL MEMORY PRODUCTS DIVISION

I Purpose:

This proposal outlines a plan for the initial 12 months phase of operations covering the sales, engineering design, production and customer support of memory products sold into the USA market by the joint Plessey Electronics/ISL organizations. It is formulated to be consistent with the provisions of the recent Plessey/ISL acquisition agreement.

Two (2) distinct phases are involved:

a) Short Range - the "measuring year". This will run thru approximately 30 April 1971 and is based upon continuation of ISL operations in most instances as they are presently handled with the addition of support from Plessey Electronics as requested or where considered necessary to meet objectives.

b) Long Range - the time beyond the "measuring year" when Plessey Electronics Corporation shall have met the terms of the agreement and have complete freedom to organize, manage and operate Barbados and associated U.S. memory facilities as it chooses. In this phase, key functions are planned to be located as follows:

1) General Management and Administration in the U.S.
2) Engineering Design, Prototype Test, Applications Engineering in the U.S.
3) Customer Support including repair, re-assembly and retest in the U.S.
4) Production Engineering, Manufacturing Engineering, Methods and Industrial Engineering in Barbados.
5) Material Control in Barbados.
6) Production, Assembly and Plane and Stack Test and All QC operations in Barbados.
7) Local Management and Administration in Barbados.
8) Marketing and Sales in the United States.

This plan does not cover the marketing of plated-wire memory products in the USA. Should Plessey decide to pursue this business, it will be handled wholely by Plessey Electronics personnel working directly with the UK parent organization.

II Objectives of Plan:

This plan concentrates predominantly on the short range with the prime objective being to maximize sales and profits during the measuring year. However, it does propose a recommended management structure for the long range with suggestions to minimize the organizational problems involved in transition.

This proposal takes cognizance of the fact that the memory stack business is exceedingly competitive, is very price sensitive in the commercial O.E.M. market, and that it will continue so in the future because of the growing competition from semi-conductor type memories. It is absolutely vital that Plessey/ISL maintain its competitive cost posture. Overhead structure must be kept "streamlined" in all departments. Managers should be "working managers" and not supernumerary types, during the next few years of critical growth.

III Geography of the Market:

Prospective O.E.M. type customers for core stacks have been identified in a number of surveys by Plessey and various marketing consultant organizations.

Essentially, the market breaks down into two prime areas of customer concentration, each representing on the order of 35% to 40% of the potential total USA market. These are:

a) The greater Los Angeles/Orange County area
b) The greater Boston area

The balance of the market, representing approximately 25% of the USA total, is widely dispersed throughout the rest of the country with some customer groupings in the following areas:

a) New York/New Jersey
b) Philadelphia/Baltimore/Washington
c) Miami/Fort Lauderdale
d) Chicago/St. Louis
e) Minneapolis
f) Dallas/Houston
g) San Francisco
h) Phoenix
i) Denver/Salt Lake City

NOTE: It is anticipated that the Miami/Fort Lauderdale area is likely to grow to third largest sales potential behind the two prime areas.

IV. Sales Performance in the PRIME AREAS:

Based upon commission figures presented in the PLESSEY/ISL acquisition report (page 6) sales performance by the Manufacturers Sales Representatives in the two prime areas for the year 1969 was as follows:

	Commission Paid Out	% of Total Commissions Paid Out
a) Los Angeles/Orange County Jewett Company	$4000	9.5%
b) Boston V.J. Huntoon Associates	$2800	6.7%

NOTE: The above percentages are based upon an estimated total direct commission-type payout of $41,950 with the balance of $17,800 paid to W. Tucker for supervisory services. These figures are HFK estimates extrapolating from existing data.

Another means of viewing performance in the two prime areas is by projection of sales for 1970, using current order backlog data. It is recognized that details of January and February shipments are not included. However, for broad evaluation purposes, the "backlog approach" is a valid indicator since it represents the next 6 months of production.

The current order-book value of $2,041,000 is adjusted to include only 1970 shippables by deducting 3 major orders, 2 being "on HOLD" for the 1971/72 period and the third with only 33% estimated shippable in 1970. These are:

		$ Amount Deducted
Hewlett Packard	PO # 22-02425	$473,000 (67%)
Librascope	PO # 15924A (HOLD)	116,400
Magnavox	PO # 123 62 RO (HOLD)	570,000
	Total $ Deducted	$1,159,400

The current "active" backlog, therefore, is $882,000 and this figure is used as the basis for projected prime area sales performance as follows:

	$ Backlog	% of Active Backlog
a. Los Angeles/Orange County	$133,000	15 %
b. Boston	$ 46,500	5.3 %

Related to the known potential in each of the two (2) prime areas, performance in 1969 is significantly below par by a factor approaching 4 to 1 and projections for 1970 shown minimal improvement.

V. Recommendation for Company Sales Representation:

In view of the poor sales success to-date in each of the two prime market areas, it is recommended that early action be taken by Plessey Electronics and ISL management to strengthen its sales position in these two key locations.

It is recommended that direct company sales representatives be installed in the two prime areas as soon as practicable under presently existing agreements. These men should have the title, stature, and authority of Regional Sales Managers. No change is planned in the existing REP structure during the measuring year. However, beyond that time, representation in the prime areas will be handled exclusively by company personnel. RIPs will continue in the other territories as at present since this is considered to be the most efficient sales contact method in these "thin" customer areas.

IV. Functions of the Company Sales Representative (CSR):

In each prime area, the principal functions and responsibilities of the CSR will be as follows:

During the Measuring year -

1. Support W. Tucker and the established REP organization with sales and technical assistance and other promotional support aimed at "several times" improvement in new order position.

2. Report to Marketing Manager - but work in conjunction with W. Tucker.

Beyond the Measuring year -

1. Handle all direct sales within his own prescribed sales area.

2. Support all assigned REPs within his region.

3. Report to the company Marketing Manager.

VII Advantages of the "CSR Plan":

Advantages of direct company sales representation in the Los Angeles and Boston areas are:

1. It gives maximum sales effectiveness in these key areas.

2. O.E.M. type customers receive this level of sales contact and support from other memory suppliers. We will receive more favorable order consideration by providing similar capability.

3. This is the most effective way of meeting the stiff competition of the local memory manufacturers in the prime areas:

Los Angeles	a) E.M.& M. b) Ampex c) Data Products d) Lockheed
Boston	a) R.C.A. b) Cambridge Memories

4. Company sales representatives, being more knowledgeable of the company's product, both technically and from an availability standpoint, are better able to answer questions and solve problems "on the spot".

5. This is the desired long range approach to these two prime market areas and field sales operations in this manner should be commenced as soon as possible.

VIII Recommended Regional CSR/REP Structure:

Assignment of REPs to individual CSR cognizance is recommended on a broad EAST - WEST basis with the Mississippi River being the dividing line as shown below:

Sales Manager - Eastern Region
Headquarters - Boston Area

A. Direct Sales - Massachusettes
New Hampshire
Vermont
Rhode Island
Maine
Plus: Canada - Ontario and Quebec

B. Sales Reps

1. Travco Associates - New York, New Jersey, Connecticut

2. Tucker Associates - Pennsylvania, Maryland, Delaware, Wash. D.C., Virginia

3. John Grey - Illinois, Indiana, Wisconsin, Iowa, Minnesota

4. New Rep. - Florida, Alabama & Georgia

5. New Rep. - Michigan, Ohio

Sales Manager - Western Region
Headquarters - Los Angeles Area

A. Direct Sales - Southern California from Santa Barbar South to San Diego and East to the state line.
Plus: Nevada
Canada - West of Ontario

B. Sales Reps

1. Leddy Associates - Northern California, Washington, Oregon

2. Norvell Associates - Texas, Oklahoma

3. J. A. Swanson Associates - Arizona

4. New Rep. - Missouri, Kansas

5. New Rep. - New Mexico, Colorado and Utah

Any omissions in state sales coverage above will be handled by the cognizant CSR until such time as business level warrants setting up a REP.

IX Implementation of the "CSR Plan":

Currently there are two people in the Plessey Electronics Memory Products Division who can be utilized in getting the CSR plan underway, H. F. Kinkopf and J. P. McNamara.

The Boston area represents current O.E.M. stack sales potential equivalent to and perhaps slightly larger than Los Angeles. Within the Boston area, DEC represents a significant single account. The foregoing figures on sales performance (Section IV) show particularly poor actual performance in the Boston area for 1969 and also poor projected performance for 1970. The Boston area presents convenient airline contact with corporate management offices in New York, with the parent company in the UK, and also the new ISL facility in Barbados. Boston offers an excellent supply of technical and manufacturing skills needed to staff the U.S. Memory operation.

In view of the foregoing, it is recommended that the U.S. Memory Products Division establish its base facility in the greater Boston area so soon as possible. This will be not only a Marketing/Sales (CSR) operation as described above but will also be the U.S. Headquarters for these functions as well:

1. Applications Engineering

2. Engineering Prototype Design

3. Prototype Fab and Test

4. AQL Test of incoming production stacks

5. Customer support, including Repair and Retest

Personnel will have to be hired and brought on-board in accordance with an approved manning schedule to supply the above functions.

With memory headquarters in the Boston area, Plessey will be in a strong position to compete not only for a large share of DEC's stack business, but also for the business of the many other computer, minicomputer, data terminal, peripherals and data systems houses located in the greater Boston Area.

It is important to note that the successful memory companies, as a matter of standard practice, purposefully support their prime areas with management type sales personnel located in the immediate areas where they can give their customers rapid local assistance. In the case of EM & M, for example, they have recently installed a man of Regional Sales Manager caliber in the Boston area to handle DEC plus only two other accounts. Plessey's move into the Boston area will help to meet this kind of competition.

As soon as the Boston facility is established and functioning, a regional sales office should be opened up in the greater Los Angeles area. This will provide similar local support to that area of heavy customer concentration, and put us in a better position to build sales volume rapidly. It would not be planned to include any design or repair functions in the West Coast facility, at least not for some time.

X. Facilities:

Boston - A facility of approximately 5000 square feet will be needed to provide for the Management, Administrative and other functions detailed above. The total space will not be fully utilized immediately. It is anticipated that this will be sufficient for 3 or possibly 4 years when the annual sales volume is in the order of 7 to 10 million dollars.

Capital stack test and other equipment has already been authorized for Plessey Electronics and is progressing in the UK. It is anticipated that this engineering/production type equipment will be set up and operational in the Boston facility in 6 months.

Los Angeles

A sales office of modest propostions is all that will be required. Should provide for a Manager's Office, one other office plus a receptionist/secretary outer office. Space will be needed for storage of sales literature and supplies plus hardware in and out. It is estimated that 500 square feet will be adequate.

XI Administrative Functions:

Even with the setup of the Boston facility as headquarters for the U.S. Memory Products Division, it would not be intended to set up total separate and independent administrative functions. Rather it is proposed to continue using

Farmingdale's established facilities for Traffic, Billing, Accounts Payable, Accounts Receivable, Payroll, etc., until such time as duplicate capability is warranted in Boston.

XII Working Relationships:

During the measuring year the organization proposed above will work in conjunction with W. Tucker to assist him in accordance with the terms of the existing Plessey/ISL agreement to achieve ISL's sales and profit objectives. It should be noted that none of the costs associated with implementation of the CSR plan, or the Boston/Los Angeles facilities, is to be charged against ISL's P & L operating statement. Nor is it intended that the establishment of this plan shall affect the position of W. Tucker or his level of earned supervisory income during the measuring year under his existing agreement with ISL.

H. F. Kinkopf and J. P. McNamara, plus other personnel who may be brought into the Plessey Electronics organization, will support the current ISL marketing plan, in particular strengthening the Boston and Los Angeles areas. They will be available to assist W. Tucker with his REPs in attaining new business. At the same time individual REPs can be assessed as to their capabilities so that the long range marketing organization and program can be formed.

For the long range, the overall engineering function will be split as follows:

U.S. - will handle all prototype design and applications engineering plus technical support and liaison with customers after product delivery.

Barbados - will handle all production engineering, value engineering and manufacturing engineering.

During the measuring year, J. McNamara will support Barbados engineering by assisting with their applications engineering needs in the U.S. In addition, if occasional field repair of customer hardware is needed, a technician of the U.S. organization can be assigned to assist.

Prototype engineering design shall remain the function of Barbados during the majority of the measuring year. At some mutually agreed time, approximately 8 to 9 months from now, this responsibility will shift to the U.S. organization. There will obviously have to be very close liaison between both engineering groups in order that prototypes designed in the States can move readily into production with a minimum of changes.

Both groups will work closely together on the investigation, evaluation and implementation of new materials and techniques that can improve our manufacturing cost picture and our competitive pricing posture.

XIII House Accounts:

At the present time ISL does not have any house accounts. This is considered desired sales practice and it shall continue to be the marketing policy not to have any house accounts in a REP area. This will allow each REP full area sales responsibility and will be accompanied with appropriate commission payment. It shall be the practice to review all commission rates on an annual basis, particularly in view of the planned extensive company support in the field.

XIV Proposed Organizational Structure:

During the measuring year an organizational relationship along the following lines is recommended:

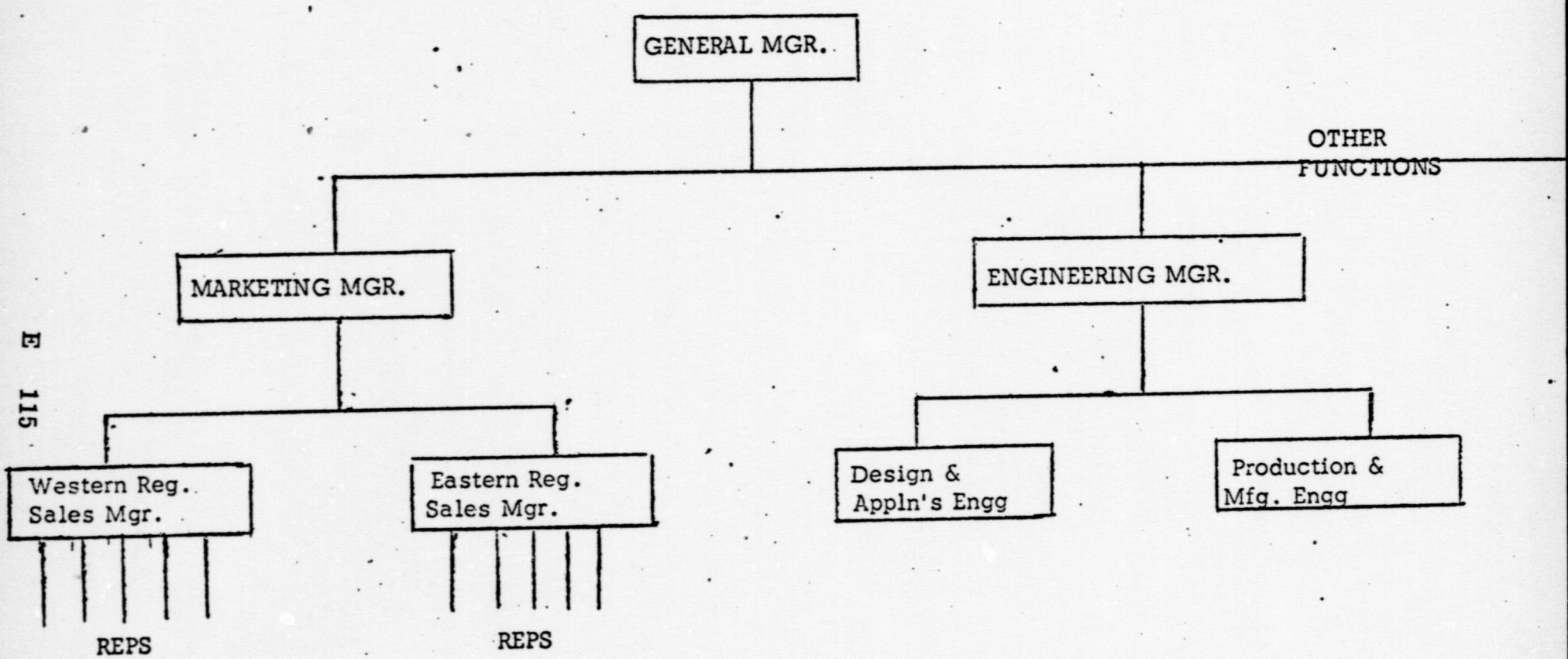
Note: Chart page 10

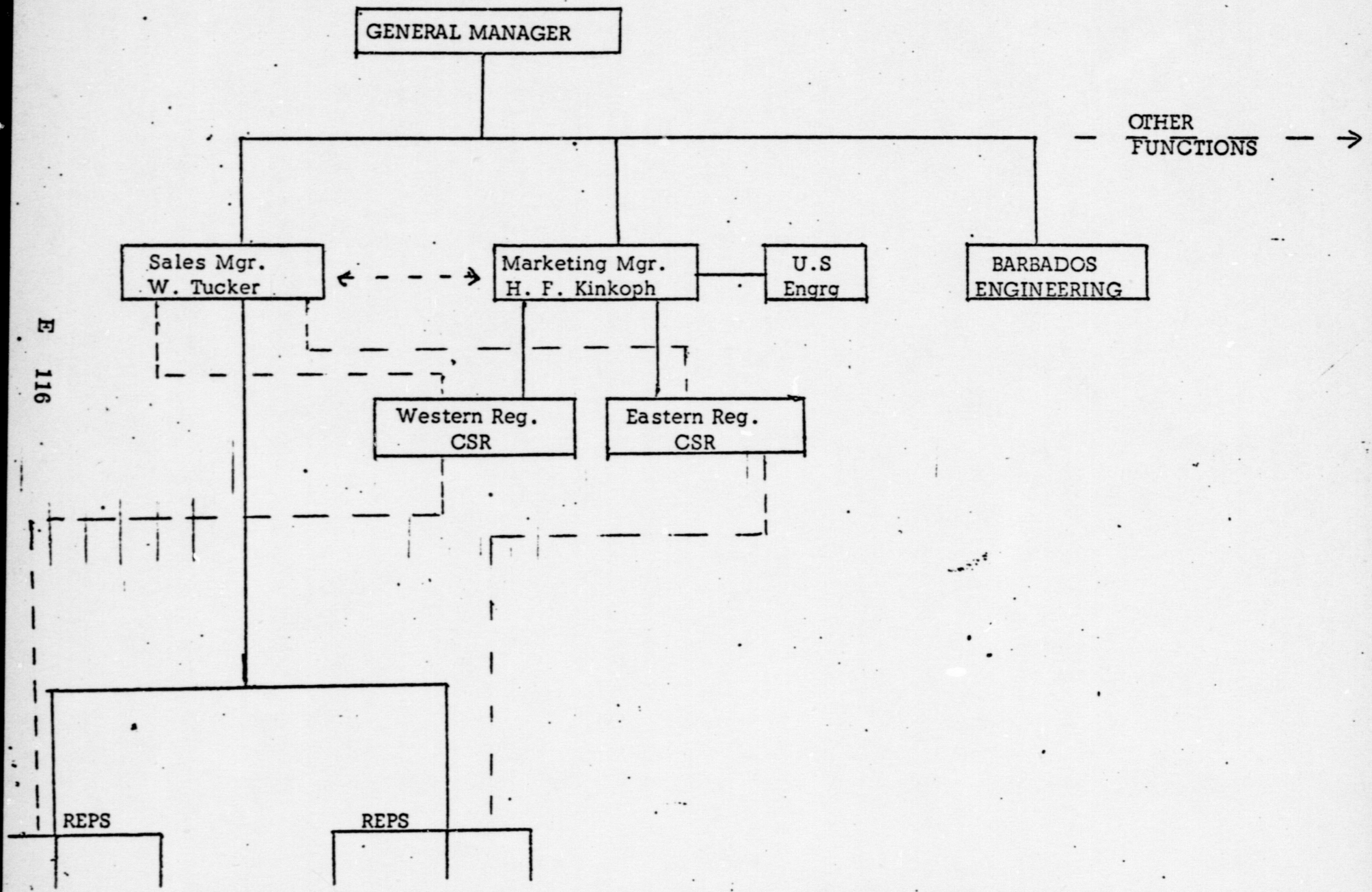
Beyond the measuring year, and perhaps slightly before it ends when sales and engineering inputs toward the specified sales/profit goals have been completed, it is suggested that the organization merge into the structure desired for best long range operations. This is shown below and it can be seen that the transition should not be difficult.

Note: Chart page 11

H. F. Kinkopf

HFK:hh


GENERAL MGR.
OTHER FUNCTIONS
MARKETING MGR.
ENGINEERING MGR.
Western Reg. Sales Mgr.
Eastern Reg. Sales Mgr.
Design & Appln's Engg
Production & Mfg. Engg
REPS
REPS


GENERAL MANAGER
OTHER FUNCTIONS
Sales Mgr.
W. Tucker
Marketing Mgr.
H. F. Kinkoph
U.S
Engrg
BARBADOS
ENGINEERING
Western Reg.
CSR
Eastern Reg.
CSR
REPS
REPS

PX 13

INTERNATIONAL SCIENTIFIC LIMITED
BUDGET 1970

	Jan.	Feb.	Mar.	Apr.	May.	June.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1970
Sales	146,923	161,047	195,661	177,341	168,072	247,455	503,631	592,868	684,965	667,490	2448,954
Less Materials	44,032	48,263	58,638	53,148	50,370	74,159	150,933	177,677	205,276	200,032	733,918
Comm.& Int.on Mat'l	4,623	5,068	6,157	5,580	5,289	7,787	15,848	18,656	21,554	21,003	77,061
	48,655	53,331	64,795	58,728	55,659	81,946	166,781	196,333	226,830	221,035	810,979
Sales of Labor	98,268	107,716	130,866	118,613	112,413	165,509	336,850	396,535	458,135	446,455	1637,975
Less Freight	2,217	2,432	2,954	2,678	2,537	3,735	7,603	8,950	10,341	10,076	36,972
Duty	8,140	8,922	10,840	9,825	9,312	13,710	27,902	32,847	37,949	36,982	135,678
Commission	6,512	7,138	8,672	7,860	7,449	10,968	22,322	26,277	30,359	29,585	108,543
Total, Freight, Duty, Comm:	16,869	18,492	22,466	20,363	19,298	28,413	57,827	68,074	78,649	76,643	281,193
Net Sales of Labor	81,399	89,224	108,400	98,250	93,115	137,096	279,023	328,461	379,486	369,812	1356,782
Less Direct Cost											
Direct Labor	9,082	9,955	12,094	10,962	10,389	15,296	31,131	36,647	42,341	41,261	151,380
Variable Overhead	15,228	16,693	20,280	18,381	17,420	25,649	52,201	61,450	70,997	69,185	253,883
Total Direct Cost	24,310	26,648	32,374	29,343	27,809	40,945	83,332	98,097	113,338	110,446	405,213
Marginal Profit	57,089	62,576	76,026	68,907	65,306	96,151	195,691	230,364	266,148	259,366	951,569
Less Fixed Exps.											
Manufacturing	21,019	21,019	21,019	21,019	20,019	20,019	63,057	63,057	63,057	63,057	252,228
Adm.& Mktg.	17,640	17,640	17,640	17,640	17,640	17,640	52,920	52,920	59,920	52,920	211,680
Eng.	10,626	10,626	10,626	10,626	10,626	10,626	31,878	31,878	31,878	31,878	127,512
Total Fixed Costs	49,285	49,285	49,285	49,285	49,285	49,285	147,855	147,855	147,855	147,855	591,420
Net Before Other	7,804	13,291	26,741	19,622	16,021	46,866	47,836	82,509	118,293	111,511	360,149

TOTAL EXPENSES BY CATEGORY 1970

	FIXED PER MONTH								Total 10 mths Projected	Std.	Budget
	Operations	Sales & Admin.	Engr.	Total	Fixed	Variable	Direct	Total:	1969	Rate	1970
Payroll	9,211	10,647	4,281	24,139	289,668	149,362	151,380	590,410	520,718	37.00	140,361
Communications	1,150	1,425	700	3,275	39,300			39,300	34,411		
Depreciation	5,500	950	50	6,500	78,000			78,000	43,650		
Repairs & Maint.	400	40	800	1,240	14,880			14,880	10,820		
Insurance	158	123		281	3,372	8,477		11,849	7,477	2.10¢	8,477
Legal & Transpt.	100	60	260	420	5,040			5,040	9,436		
Stationery	300	250	175	725	8,700	7,064		15,764	8,246	1.75	7,064
Electricity	2,100			2,100	25,200			25,200	24,843		
Customer Relations	100	275	50	425	5,100			5,100			
Shareholders & Dir.Exps.		1,250		1,250	15,000			15,000	11,825		
Bank Charges		260		260	3,120			3,120	3,710		
Corporate House		400		400	4,800			4,800	5,142		
Staff Procurement		350		350	4,200			4,200	4,619		
Legal and Audit		400		400	8,800			4,800	3,764		
Reps. Expenses		450		450	5,400			5,400	4,819		
Advertising		250		250	3,000			3,000	2,400		
Cleaning			380	310	3,720			3,720	3,187		
R & D			4,000	4,000	48,000			48,000			
Pubs. and Subs.		185		185	2,220			2,220	941		
Indirect Mtls.						61,682		61,682	30,884	15.28¢	61,682
Freight In						18,165		18,165	12, 592	4.50¢	18,165
Small Tools						9,083		9,083	5,149	2.25¢	9,083
Purchase Services	2,000			2,000	24,000			24,000	23,196		
Freight Out							36,972	36,972	20,646		
Duty							135,678	135,678	63,433		
Commission							167,256	167,256	56,190		
Materials							733,918	733,918	271,142		
Interest on Mtls.							18,348	18,348			
Taxes		325		325	3,900			3,900	3,900		
	21,019	17,640	10,626	49,285	591,420	253,833	1243,552	2088,805			

Sales: 2448,954

360,149

AA

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BUDGETED SALES MIX OF GROSS SALES OF LABOR

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1970	
Std.Hrs. Budgeted	24,218	26,547	32,252	29,232	27,704	40,790	83,017	97,726	112,908	110,028	403,679	Sch.A-3
ISL Complete 49.28%	11,935	13,082	15,894	14,406	13,653	20,101	40,911	48,160	55,641	54,215	198,927	Sch.A-1
ISL Partial 7.20%	1,744	1,911	2,322	2,105	1,995	2,937	5,977	7,037	8,129	7,942	29,085	Sch.A-1
Labor Only 43.52%	10,539	11,554	14,036	12,721	12,056	17,752	36,129	42,529	49,138	47,871	175,667	Sch.A-1
ISL Comp.@$5/std.Hr.	59,675	65,410	79,470	72,030	68,265	100,505	204,555	240,800	278,205	271,075	994,635	
ISL Partial @$4/St.Hr.	6,976	7,644	9,288	8,420	7,980	11,748	23,908	28,148	32,516	31,768	116,340	
Labor Only @$3/S.Hr.	31,617	34,662	42,108	38,163	36,168	53,256	108,387	127,587	147,414	143,612	527,000	
Gross Sales of Labor	98,268	107,716	130,866	118,613	112,413	165,509	336,850	396,535	458,135	446,455	1637,975	

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BUDGETED COST OF MATERIALS

Sch A-2

ISL Comp.71.684% of Gross Sales of Labor of ISL Complete	42,777	46,889	56,968	51,634	48,935	72,047	146,624	172,616	199,430	194,320	713,000	
ISL Partial 17.980% of Gross Sales of Labor of ISL Partial	1,255	1,374	1,670	1,514	1,435	2,112	4,299	5,061	5,846	5,712	20,918	
Total Materials	44,032	48,263	58,638	53,148	50,370	74,159	150,933	177,677	205,276	200,032	733,918	
Comm.on Mat'l 8%	3,522	3,861	4,691	4,251	4,030	5,933	12,074	14,214	16,422	16,003	58,713	Sch.B
Interest on Matl.2½%	1,101	1,207	1,466	1,329	1,259	1,854	3,774	4,442	5,132	5,000	18,343	Sch.B
Total Mat.Cost	48,655	53,331	64,795	58,728	55,659	81,946	166,781	196,333	226,830	221,035	810,979	

Sch A

ISL

CALCULATION OF PLANT CAPACITY IN STD. HOURS

	4 wks. 160 hrs. JAN.	4wks 160hrs FEB.	5wks. 200hrs. MAR.	4wks 160hrs. APR.	4wks 160 hrs. MAY.	5wks 200hrs. JUNE	13wks 520hrs. 3RD QTR.	13wks 520hrs. 4TH QTR.	52wks 2080hrs. 1970	52wks 2080hrs. 1971	
First Shift											
No.of D.L.Last Period	288	288	289	290	302	314	325	360	288	395	
Added this period		1	1	12	12	11	35	35		140	
No.ofDLEnd of Period	288	289	290	302	314	325	360	395	395	535	Sch.A-4
Average #ofDL	288	288.5	239.5	296	308	319.5	332.5	377.5	341.5	400	
Less											
Annual Holidays 3.84%								58.06	13.11	15.36	
Absenteeism 4%	11.52	11.54	11.58	11.84	12.32	12.78	13.30	12.77	13.66	16.00	
Bank Hols .0308	14.40	-	23.16	-	30.80	-	5.09	11.63	10.52	12.32	
	25.92	11.54	34.74	11.84	43.12	12.78	18.39	82.46	37.29	43.68	
Total Reg.DL Avail.	262.08	276.96	254.76	284.16	264.88	306.72	314.11	295.04	304.21	356.32	
Less Work Breaks 4.16	10.90	11.52	10.60	11.82	11.02	12.76	13.07	12.27	12.66	14.82	
Plus O/Time 4%	10.48	11.08	10.19	11.37	10.60	12.26	12.56	11.80	12.17	14.25	
Total 1st Shift DL People	261.66	276.52	254.35	283.71	264.46	306.22	313.60	294.57	303.72	355.75	
Less Disutility, waiting time, Filling in Missing Parts, Repair or Rework, Medical Time, Meeting Time	65.42	66.36	58.50	62.42	55.54	61.24	53.31	44.19	62.26	44.47	
Actual DL on Std.	196.24	210.16	195.85	221.29	208.92	244.98	260.29	250.38	241.46	311.28	
Inefficiency	44.88	44.24	34.59	38.59	35.77	41.03	37.95	33.58	44.18	30.19	
Std.DL People	151.36	165.92	161.26	182.70	173.15	203.95	222.34	216.80	197.28	281.09	
Std.DL Hrs.1st Shift	24217.60								410342.40	584667.20	
Std.DL Hrs.2nd Shift									34,195.20	48,722.26	
Total Std.Hrs. Avail.	24217.60	26547.20	32252.00	29232.00	27704.00	40790.00	11561680	112736.00	409095.60		

SCH A-3

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2 Dec.1969

1970 SALES FORECAST

MS = Mat'l Supplied; PMS: Partial Matl. Supplied; NMS = No mat'l Supplied

Burroughs	MS	$30,000	
Cambridge	NMS	269,000	500 @ 538
Collins	PMS	11,340	70 @ 162
CDC	MS	126,000	1000/mo. @ $14/9 mos.
Compat	NMS	250,000	500 @ $500
Datacraft	MS	60,000	FOB, Bridgetown. 100/wk @ $25 for 6 mos.
Dataram	MS	81,000	" " $9000/mo/9 mos.
Documentor	NMS	12,000	
EECO	NMS	6,000	
GE	NMS	50,000	500 @ $100
H-P (L)	NMS	30,000	500 @ $60
H-P (C)	NMS	540,000	450 @ $1200
Honeywell	NMS	75,000	1500 @ $50
IBM (C)	MS	90,000	No duty
IBM (K)	MS	240,000	FOB, Bridgetown. 10,000/mo/6 mos. 30,000/mo. 6 mos.
ICC	NMS	180,000	50 @ $3600
Kicksort	NMS	50,000	50 @ $1000
Librascope	NMS	65,000	50 @ $1300
Magnavox	NMS	670,000	100 @ $6700
MDS	NMS	75,000	500 @ $150
Microsystems	NMS	117,000	300 @ $90 300 @ $300
Modicon	NMS	17,300	
Motorola	NMS	50,000	100 @ $500
Nuc.Chicago	NMS	100,000	100 @ $1000
Nuc. Data	NMS	77,700	50 @ $569 50 @ 985
Packard Instr.	NMS	60,000	50 @ $1200
Raytheon	NMS	88,500	150 @ $590
SLI	PMS	25,000	
SMI	PMS	180,000	
		$3,625,840	

ISL Supplied Material Work	$2,782,500	(76%) x 60	1669,500
Customer Supplied Material Work	627,000	(18%)	627,000
Partials	216,340	(6%) x 85	183,889
			2480,389

A-5

A-5

BUDGET 1970

Freight

Freight is calculated as being 2.25 of gross sales of labor. This % is approximately 1/10 of 1% lower than 1969.

Duty

Duty is calculated as being 10% of the added value on all products i.e. 10% of the net sales of labor.

Commission

Commission is calculated as being 8% of the added value i.e. 8% of material cost + 8% of net sales of labor.

Interest

An interest and handling charges added to materials equal to $2\frac{1}{2}\%$ of this. This represents 10% interest for 90 days.

Direct Labor

A standard rate of 30¢ per hour at 80% efficiency was used, i.e. the standard hours budgeted on schedule A $\frac{\text{x } 30¢}{80\%}$ x 100 = A x 37.5¢

Sch. B

BUDGET 1970

VARIABLE O.H. EXPENSE RATE
& PER STD HR.

		STANDARD	1970	BUDGETED AVERAGES JAN-JUNE	JULY-DEC
DELAY CODES	50%	8.40	8.40	10.61	6.66
EMPLOYEE BENEFITS		8.30	8.31	8.63	8.06
SUPERVISION		20.30	20.36	20.53	20.23
TOTAL INDIRECT LABOR		37.00	37.07	39.77	34.95
INDIRECT MATERIALS	①	15.28	13.49		
INVENTORY INSURANCE		2.10	2.14		
FREIGHT IN	②	4.50	5.50		
STATIONERY		1.75	1.53		
SMALL TOOLS		2.25	2.18		
TOTAL OTHER VARIABLE EXPENSES		25.88	24.84		
TOTAL VARIABLE OH EXPENSE RATE	③	62.88	61.91		

1969-10 MONTHS

SCH C-1

SCH C-2 page 5

~~Est~~ ↑ ARBITRARY

① Other variable expenses were averaged based upon history with allowance for average etc. ie 1970 indirect materials allows for 10% shrinkage or 1.79¢ per std hr.

② Inefficient forklift handling in 1969 should be greatly improved.

③ This rate of 62.88¢ is multiplied by the standard hours budgeted on SCH. A. to arrive at the variable overhead

SCH C

CALCULATION OF VARIABLE EXPENSE STANDARD COST

BUDGET FIGURES

	JAN.	FEB.	MAR.	1ST QTR.	APR.	MAY	JUNE	2ND QTR.	3RD QTR.	4TH QTR.	1970	
Indirect Labor Delay Codes	3,140	3,185	3,510	9,835	2,996	2,666	3,674	9,336	8,316	6,894	34,384	8.40
Overtime Premium	252	266	306	824	273	254	368	895	980	920	3,619	.88
Employee Benefits												
1. Annual Hols. .0384	531	532	667	1,730	546	568	736	1,850	1,992	2,261	7,833	1.90
2. Bank Hols. .0308	426	427	535	1,388	438	455	590	1,483	1,598	1,814	6,283	1.54
1. NIS .0325	449	450	565	1,464	462	480	623	1,565	1,686	1,914	6,629	1.62
2) Sick Pay .02	276	277	347	900	284	296	383	963	1,037	1,178	4,078	1.00
3. Group Ins. 1.15	331	331	332	994	333	347	361	1,041	1,121	1,242	4,398	1.08
4. Uniforms 1.25	360	360	361	1,081	363	378	393	1,134	1,219	1,350	4,784	1.17
	2,373	2,377	2,807	7,557	2,426	2,524	3,086	8,036	8,653	9,759	34,005	8.31
	5,765	5,828	6,623	18,216	5,695	5,444	7,128	18,267	17,949	17,573	72,005	17.60
Supervision 1 Unit per 17 DL@350	5,950	5,950	5,950	17,850	6,300	6,300	6,650	19,250	22,050	24,150	83,300	20.36
Std.Hrs.				83016.8				97726.	1156168	112736.0	409095.6	

1. x D.L. Reg. Payroll
2. x D.L. Reg. Payroll - ½ absenteeism not paid for a) inelligible b) paid by NIS or Workmans comp.
3. Per opening # of people x $1.15
4. Per opening # of people x 1.25 : Set of uniforms $15 ÷ 12 = 1.25

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SCH. C-1

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ACTUAL 1969 ON BASIS OF 1970 BUDGET

U.S. DOLLARS

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DE
Sales	91,589	35,465	79,723	92,380	98,710	91,574	131,570	147,657	120,300	104,712		
Less -Matls.	17,818	1,687	9,275	14,680	18,912	17,303	35,975	45,524	33,462	31,311		
10%int.for 90days	445	42	232	367	473	433	899	1,138	837	783		
8% Commission	1,426	135	742	1,175	1,513	1,384	2,879	3,642	2,677	2,505		
Total Matls.	19,689	1,864	10,249	16,222	20,898	19,120	39,753	50,304	36,976	34,599		
Sales of Labor	71,900	33,601	69,474	76,158	77,812	72,454	91,817	97,353	83,324	70, 113		
Less Freight,Duty & Comm.	9,406	4,735	7,080	8,979	8,433	9,394	14,197	11,520	13,725	11,347		
Net Sales of Labor	62,494	28,866	62,394	67,179	69,379	63,060	77,620	85,833	69,599	58,766		
Less Direct Cost												
Direct Labor	11,526	9,440	11,998	11,330	11,022	9,304	12,649	9,166	7,906	9,628		
Variable O/Head	10,220	14,791	23,388	22,332	19,530	12,073	15,831	25,389	19,798	20,111		
Total Direct Cost	21,746	24,231	35,386	33,662	30,552	21,377	28,460	34,550	27,704	29,739	287,407	
Marginal Profit	40,748	4,635	27,008	33,517	38,827	41,683	49,169	51,283	41,895	29,027		
Less Fixed Cost												
Mfg.	17,072	18,162	17,979	17,986	18,304	17,969	17,943	18,209	17,401	18,210		
Engineering	2,981	3,058	3,181	3,523	3,837	3,382	3,840	1,713	2,580	3,791	3,189	
Admin.	14,768	15,339	15,398	16,866	14,955	16,377	13,327	14,241	16,133	19,675	15,609	
Marketing	1,003	860	847	1,526	1,030	980	1,057	1,051	1,045	1,021	1,042	
Total Fixed Cost	35,824	37,419	36,405	39,901	38,136	38,708	36,167	35,214	37,159	42,697		
Net Income Before Other	4,924	(32,784)	(9,397)	(6,384)	691	2,975	12,993	16,069	4,736	(13,670)		
Severance Pay							2,050	2,100	2,100	2,100		
Debenture Exp.							1,600					
W/O of Preproduction						65,428						
Debenture Interest	3,135	3,135	3,135	3,135	3,135	3,135	3,135	3,135	3,135	3,135		
Other Interest	1,059	1,102	1,068	1,204	2,457	1,273	3,034	2,446	1,590	921		
Total Other	4,194	4,237	4,203	4,339	5,592	69,836	9,819	7,681	6,825	6,156		

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ONTD:

	JAN.	FEB	MAR	APR	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
t Profit (Loss)	730	(37,021)	(13,600)	(10,723)	(4,901)	(66,861)	3,174	8,388	(2,089)	(19,826)		
Total Matls. oss Sales	21.5	5.3	12.9	17.6	21.2	20.9	30.2	34.1	30.7	33.0		
Freight,Duty,Comm. Sales or Labor	13.9	14.1	10.2	11.8	10.8	13.0	15.5	11.8	16.5	16.2		
Marginal Profit Sales of Labor	56.7	13.8	38.9	44.0	49.9	57.5	53.5	52.7	50.3	41.4		
d.Hrs.Sold	22,165	9,078	18,456	20,047	21,197	18,607	21,892	25,733	18,854	14,811		
Sales of Labor Std.Hours Sold	$3.244	$3.701	$3.764	$3.799	$3.671	$3.894	$4.194	$3.783	$4.419	$ 4.734		
rect Cost/Std.Hr.	1.405	3.19	2.30	2.127	1.839	1.654	1.949	1.790	2.197	2.774	1.50	

CALCULATION OF COMPONENTS OF PAYROLL

	JAN.	FEB.	MAR.	APR.	MAY.	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
Total Payroll	41,008	40,128	43,556	46,536	40,095	47,891	49,600	40,519	40,229	43,870		
Direct Wages @ .26	11,526	9,440	11,998	11,330	11,022	9,304	12,649	9,166	7,906	9,628		
Fixed - Admin.												
Payroll	4,720	4,720	4,720	4,720	4,720	4,720	4,020	4,020	4,020	4,020		
Purchase Services	6,208	6,208	6,208	6,208	6,208	6,208	5,158	5,158	5,158	5,158		
	10,928	10,928	10,928	10,928	10,928	10,928	9,178	9,178	9,178	9,178		
Fixed -Mktg.	210	210	210	210	210	210	210	210	210	210		
Fixed - Eng.												
Payroll	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545		
Purchase Services		100	100	100	100	100	100	100	100	100		
	1,545	1,645	1,645	1,645	1,645	1,645	1,645	1,645	1,645	1,645		
Fixed Manufg.												
Payroll	4,970	4,970	4,970	4,970	4,970	4,970	4,970	4,970	4,970	4,970		
Purchase Services	4,060	4,060	4,060	4,060	4,060	4,060	4,060	4,060	4,060	4,060		
Trainees	415	620	943	615	545	545	122	-	-	-		
	9,445	9,650	9,973	9,645	9,575	9,575	9,152	9,030	9,030	9,030		
Variable Mfg.												
Payroll	4,938	5,839	6,049	9,502	12,389	12,953	12,639	11,089	12,059	13,978		
Purchase Services	2,416	2,416	2,753	3,276	3,276	3,276	4,127	201	201	201		
	7,354	8,255	8,802	12,778	15,665	16,229	16,766	11,290	12,260	14,179		
	41,008	40,128	43,556	46,536	40,095	47,891	49,600	40,519	40,229	43,870		
Efficiency Var.	5,763	7,080	7,199	6,118	5,511	4,466	6,957	2,475	3,004	5,777		
Indirect -Delay codes	2,402	2,869	3,483	3,440	3,220	3,752	5,714	4,664	4,570	3,801		
Supervision & Misc.	4,952	5,386	5,319	9,338	12,445	12,477	11,052	6,626	7,690	10,378		
Total Var.Mfg.	7,354	8,255	8,802	12,778	15,665	16,229	16,766	11,290	12,260	14,179		

SCH C-2-2

INTERNATIONAL SCIENTIFIC LIMITED

EXPENSES	JAN.	FEB.	MAR.	APR.	MAY.	JUNE.	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
33313 Mfg.												
Payroll	9,445	9,650	9,973	9,645	9,575	9,575	9,152	9,030	9,030	9,030		
Communications	824	1,898	1,205	992	1,201	839	529	590	625	1,009		
Pub. & Subs.										171		
Travel - local	156	10	106	681	565	534	1,052	1,273	568	919		
Utilities	1,839	1,796	1,887	1,860	2,155	2,213	2,402	2,308	2,170	2,073		
Entertainment												
Depreciation	2,875	2,875	2,875	2,875	2,875	2,875	2,875	3,075	3,075	3,075		
Intersil & STC	1,933	1,933	1,933	1,933	1,933	1,933	1,933	1,933	1,933	1,933		
	17,072	18,162	17,979	17,986	18,304	17,969	17,943	18,209	17,401	18,210		
33323 Admin.												
Salaries	10,928	10,928	10,928	10,928	10,928	10,928	9,178	9,178	9,178	9,178		
Communications	1,169	1,372	964	2,847	837	2,153	864	2,784	2,636	3,096		
Staff Procurement	397	776	433	819	266	333	156	187	236	246		
Pubs. &Subs										641		
Training Expenses										1,075		
Local Travel	200	200	200	200	200	200	200	200	200	200		
Stationery	306	107	206	304	285	324	532	279	575	1,035		
Public Relations										58		
Insurance	125	125	125	125	125	125	125	125	601	601		
Taxes	325	325	325	325	325	325	325	325	325	325		
Legal and Audit	-	-	-	2	682	932	193	310	480	538		
Bank charges	158	352	63	124	389	(135)	304	403	202	1,232		
Directors & S/Holders	964	958	958	996	732	996	1,250	250	1,500	1,250		
Depreciation	196	196	196	196	196	196	200	200	200	200		
	14,768	15,339	14,398	16,866	14,865	16,377	13,327	14,241	16,133	19,675		
33343 Engineering												
Salaries	1,5451	1,645	1,645	1,645	1,645	1,645	1,645	1,645	1,645	1,645		
Communications	32	47	32	56	29	644	14	(403)	-	792		
Pubs. and Subs.										45		
Coffee, Milk &Sugar	100	100	125	125	125	125	125	125	125	100		
Cleaning Supplies	151	109	180	165	474	84	624	360	290	219		
Repairs & Maint.	953	957	999	1,332	1,364	684	1,232	(14)	520	990		
Depreciation	200	200	200	200	200	200	200	-	-	-		
	2,981	3,058	3,181	3,523	3,837	3,382	3,840	1,713	2,580	3,791		

sch. C-2-3

CONTD:

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT?	NOV.	DEC.
Marketing												
Corporate House	388	466	318	889	430	380	338	332	423	321		
Reps. Exps.	615	394	279	387	350	350	469	350	372	450		
Advertising			250	250	250	250	250	250	250	250		
	1,003	860	847	1,526	1,030	980	1,057	1,051	1,045	1,021		

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VARIABLE MANUFACTURING EXPENSES

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
Indirect Labor	2,402	2,869	3,483	3,440	3,220	3,752	5,714	4,664	4,570	3,801	37,915	19.87
Delay Codes	384	421	574	469	644	525	634	472	420	577)		
NIS	393	205	202	20	117	230	519	379	344	454)		
Sick Pay	421	-	-	1,249	1,372	-	-	694	-	1,162)		
Bank Holidays	316	113	164	235	455	325	126	34	147	98)		13.7
Annual Holidays	1,043	1,016	1,426	1,527	1,229	1,364	929	693	823	1,265)		
Overtime Premium	2,395	3,631	2,953	5,838	8,628	10,033	8,844	4,354	5,956	6,822		31.1
Supervision											123,578	64.7
Total Indirect Labor	7,354	8,255	8,802	12,778	15,665	16,229	16,766	11,290	12,260	14,179		
Indirect Matls.	2,136	2,155	2,207	3,839	2,512	3,331	1,800	2,993	2,653	2,111	25,737	13.4
Inventory Ins.	264	312	478	451	411	247	510	1,007	(200)	606	4,086	2.1
Freight in	545	585	952	2,073	1,386	684	985	389	1,587	1,307	10,493	5.50
Stationery	122	105	128	224	503	270	342	316	269	640	2,919	1.53
Small Tools	25	3	2	1,280	21	115	561	464	429	1,251	4,151	2.18
Total Other	3,092	3,160	3,767	7,867	4,833	4,647	4,198	5,169	4,738	5,915	47,386	24.8
	10,446	11,415	12,569	20,645	20,498	20,876	20,964	16,459	16,998	20,094		
Misc. incl. changes in Inventory	(226)	3,376	10,819	1,687	(968)	(8,803)	(5,153)	8,925	2,800	17	12,474	6.50
	10,220	14,791	23,388	22,332	19,530	12,073	15,811	25,384	19,798	20,111		
											190,840	96.0

E

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Sch C-2-5

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BUDGET 1970 FIXED EXPENSES-OPERATIONS

		1970	PER MONTH
Payroll - Wages, salaries, purchase services	B-4	110,532	9,211
Communications, O/S Travel, telephone, telex	B-2	13,800	1,150
Depreciation	B-3	66,000	5,500
Insurance	B-5	1,896	158
Local Transport	B-2	1,200	100
Stationery	B-2	3,600	300
Repairs and Maint.	B-3	4,800	400
Electricity	B-5	25,200	2,100
Customer Relations	B-5	1,200	100
Purchase Services	B-5	24,000	2,000
		252,228	21,019

BUDGET 1970

FIXED EXPENSES - ADMIN. SALES

Fixed Expenses		1970	Per month
Payroll	B-4	127,764	10,647
Communications	B-2	17,100	1,425
Shareholders and Directors Expenses	B-1	15,000	1,250
Depreciation	B-3	11,400	950
Repairs & Maintenance	B-3	480	40
Local Transport	B-2	720	60
Stationery	B-2	3,000	250
Bank Charges	B-1	3,120	260
Corporate House	B-1	4,800	400
Staff Procurement	B-1	4,200	350
Legal and Audit	B-1	4,800	400
Insurance	B-5	1,476	123
Customer and Public Relations	B-5	3,300	275
Reps.Expenses	B-1	5,400	450
Advertising	B-1	3,000	250
Pubs. and Subs.	B-1	2,220	185
Taxes	B-5	3,900	325
		211,680	17,640

Sch. B

SCH E

SCH E

BUDGET 1970 - FIXED EXPENSES - ADMIN.

Bank Charges			
Account Charges			
Exchange ⅛% x Sales - 12			260
Directors and S/Holder Exps.			
4 Directors 2 x per year to B'dos		4,000	
Directors fees 5 x 250 x 4		5,000	
Shareholders meeting		1,000	
Committee fees 5x125x8		5,000	
		15,000	1,250
Staff Procurement			
Relocation 3 US per yr.	1,800		
Adverts 3 US per yr.	600		
Local Adverts	1,800	4,200	350
Corporate House		4,800	400
National Reps. Exps.			450
Advertising			250
Legal and Audit			
Legal 150/m Audit 2000/A			400
Pubs. and Subs.			
303 $25	750		
2 @ 100	200		
CICA	100		
BI	100		
Col.	60		
Emp.Conf.	500		
Other	500		185

SCH. E-1

BUDGET 1970

	O/S TRAVEL	TEL.CABLE & TELEX	POSTAGE:	TOTAL:
Communications				
Admin. & Sales				
1.5 trips per month	975	300	150	1425
OPERATIONS				
1.5 trips per month	750	600		1150
ENGINEERING				
.5 trips per month	500	200		700
				$3275
LOCAL TRANSPORT				
OPERATIONS				
Irregular Inventory Transport			25	
Customs Clearance			50	
Personnel Transport			25	100
ADMIN. & SALES				
Customer Transport			50	
Misc.			10	60
ENGINEERING				
Van			250	
Misc.			10	260
				$ 420
STATIONERY				
ADMIN. & SALES				250
OPERATIONS (Includes Intersil office supplies)				300
ENGINEERING				175
				$725

SCHE-2

REPAIRS AND MAINTENANCE		
ADMIN. & SALES		
Office Equip. Maintenance Contracts		40
OPERATIONS		
Testers		400
ENGINEERING		
Building 3000		
Air Conditioning 500		
Grounds 500		
Plumbing 450 + 250		
Other 1000		
Electrical 2000+ 500		
Villa 1400		800
		$1240
COFFEE, Etc.		35
Cleaning Supplies		275
R & D		
Materials		
Small Tools		
Equipment		
Wages	48,000	$4000
DEPRECIATION		
ADMIN. & SALES		
Building	650	
Office Furniture	150	
Office Equip.	150	950
OPERATIONS		
Test Equip.	5350	
Other Equip.	50	
Work Benches	100	5500
ENGINEERING		
Equipment		50
		$6500

Sch E-3

BUDGET 1970
FIXED EXPENSES

ELECTRICITY Operations		2100
INSURANCE		
Admin. & Sales		
Cabk in Transit	8	
Public Liability	3.5	
Plate Glass	22.5	
Building	89.	129
OPERATIONS		
Contents	77	
Workmans Comp.	81	158
		$281
Customer and Public Relations		
Admin. and Sales		
Plant tours 300, Donations 250, Educ.grants 500, Customers 1200, Misc.1050	3300	275
OPERATIONS		100
ENGINEERING		50
PURCHASE SERIVCES		
Intersil and STC 400/wk & 200/mo.rent + 200 S/L to Bahamas	24,000	2000
TAXES		
Plant 3900/A	3900	325

SCH E-5

SCH E-5

BUDGET 1970 Sch.F

FIXED EXPENSES - ENGINEERING

		1970	PER MONTH
Payroll	B-4	51,372	4,281
Communications	B-2	8,400	700
Depreciation	B-3	600	50
Repairs and Maintenance	B-3	9,600	800
Local Transport	B-2	3,120	260
Stationery	B-2	2,100	175
Cleaning	B-3	3,720	310
R & D Allocation	B-3	48,000	4,000
Customer and Public Relations	B-5	600	50
		127,512	10,626

= 1125

Sch F

DXLL

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Plaintiff's Exhibit No. 16

PX 16

Mr. D. G. Clarke
Plessey Electronics Corporation

Mr. N. Crocker
Plessey Towcester

Re: International Scientific (1970) Ltd.
End of March Progress Report.

Statistics	$U.S.
March Sales	80,488.21
Credit Returns	26,336.28
Total	106,824.49
Debit Returns	(42,104.59)
Net $	64,719.90

Sales Forward Load

Arrears	$ 216,960
April	134,836
May	126,532
June	111,006
1970 - 71 Financial Period	303,544
Orders Unreleased	1,505,388
Total Released Order Book	$ 892,878
Sales Forecast April	$ 177,000

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COPY

Progress.

1) Standard Plessey Weekly Programme introduced.
Now in third week of use.

2) Programme of customers' returns introduced.
Now in use.

3) Programme of cable business introduced.
N.B. value of this business is not included in Statistics but will be end of April.

4) Recruitment of 10 operators for cables has taken place.

5) Recruitment of 10 per week operators for memories has started. First arrivals Monday, 13th April.

6) Five changes in the indirect staff including two U.S. Personnel have taken place -

(a) To bring about an improvement in quality.
(b) To strengthen manufacturing engineering.
(c) To put training under manufacturing engineering.
(d) To start a Production Control Department.

7) Product lines have been started on three products.

8) Purchasing -

Several embarrassing shortages have occurred. Cores for some jobs are holding progress. We need some real effort on purchasing including follow-up until the goods are on a plane out of the U.S.
We need just as much effort on a tube of glue as we do on 10 million cores at this stage. I got the impression more can be done.

9) A stock take has taken place - this has highlighted the need for more control.

10) Two new layouts - core area and customer's return workshop have been planned for the next two weekends.

COPY

Next Plans.

1) Reorganization of stores and material ordering.

2) Review of all existing stocks and outstanding purchases.

General.

We have plenty of orders for the next two - three months. There appears to be no shortage of new business near. The team here is a pleasure to work with and I am made to feel very welcome.

Peter Hewitt

April 1970

PH/kea

Enc. Sales Forecast for April

cc. Mr. E. A. Kovar

COPY

B

#20

Plaintiff's Exhibit No. 17 PX 17

E-2

May 13, 1970

MEMORANDUM

To: R.C.
L.G.H.
V.L.J.
Van B.

From: E. A.K.

Subject: April Results

This was the first month of our Measuring Year.

Sales	$ 94,388		
Plus Repairs	25,622		
Less Returns	(18,910)		
	101,100		
Duty, Freight & Commissions	11,300		
Net Sales		$89,800	
Cost of Sales			
Material	36,900		
Labor	12,000		
Manufacturing Expenses	28,900	77,800	
Manufacturing Profit		12,000	
G.A. Mark	15,800		
Engineering	5,200		
Interest	9,000		
		30,000	
Net Profit (Loss)		($18,000)	($10,800)*

* Included in expenses and interest above is the sum of $7,200 which does not count in the Scientific Holding Company profit formula. The results for that purpose, therefore, would be a loss of $10,800.

We have built up inventory and work-in-progress from $209,000 to $314,000 in April; the pipe line is filling up.

We have increased Receivables from $205,000 to $242,000 (March sales, you will recall were $64,000).

We have orders for May delivery in the amount of $127,000. We have orders in arrears in the amount of $237,000. May should be a break-even or a profitable month.

We are arranging for Plessey, Lisbon to string planes for us at the overhead cost (which is less than ours), to help in catching up the back log. Results of this will not be seen before June.

Plessey has asked for complete control of our marketing activities including the right to set prices. I have advised them that I could not agree unless they now agree to pay the full payout at the end of the 12 months regardless of how well ISL does. They also asked for greater control of operations, e.g., they want to completely revise the production layout, benches, etc. I have answered that the expense of any such change cannot be charged against payout formula.
Their "asking" for the two activities was more in the form of a corporate structure. My response was in the form of being unable to accede to the direction. I have been advised that they are reviewing the situation and will respond shortly. This all took place in the last three days.
Any written reference to this matter should be marked "Confidential" to my attention, please, as I do not want this situation to be known.

PIC

Plaintiff's Exhibit No. 19 PX 19

Mr. D. G. Clarke
Plessey Electronics Corporation

Mr. N. J. Crocker
Plessey Towcester

Mr. B. A. Kovar
International Scientific (1970) Ltd.

Re: International Scientific (1970) Ltd.

Statistics		$U.S.
	April Forecast	177,000
	April Sales	94,388
	Debit Returns	18,911
	Total	75,477
	Credit Returns	25,623
	Net Deliveries	101,100
Sales Forward Load		
Arrears		238,733
May		112,314
June		134,279
1970 - 71 Budget Period		373,202
	Total	858,528
Orders Unreleased		1,644,348
Grand Total		2,502,876
Sales Forecast May		135,000

Note to Mr. Clarke re Forecast
B/F - Wilson

Failure to meet April's forecast due to

(a) Optimistic forecasting

(b) Lack of cores

(c) Poor test results

(d) Large effort to clear returns

Progress.

1. Activities that received special attention

Goods inwards

Stock room

Core area

Customers returns

Material control

Material ordering

Production control

Print issuing

Manufacturing engineering

Training school

Overhead structure - especially manufacturing

Continued expansion of product line policy

Test room

Prototype section started

Next Plans - May

Personal involvement in the Purchasing "chain".

Introduction of cost control on direct hours.

Introduction of Shop Floor Accountancy.

April Despite the low sales compared with the sales forecast April was not a poor month.
Manufacturing did very well in spite of poor material situation.
Our failure to ship was our inability to get things past test - once again not in general poor manufacturing but poor testing.
I believe with the attention this department has received since

its failure, we can be more sure of accurate testing. The test department is one of my responsibilities.

I am sure there is a significant improvement over one month ago and all my senior staff feel enthusiastic about the future.

Peter Hewitt
May 1970

PH/jc

Plaintiff's Exhibit No. 20 PX 20

D. G. Clarke

W. J. Sinsheimer
G. H. Doust
N. J. Crocker
M. Albert
cc: R. Lutz

25 May 1970

ACTION ARISING OUT OF MEETINGS HELD AT TOWCESTER May 20th AND STROWGER HOUSE, MAY 22, 1970

Mr. D. Gretton is to join International Scientific (1970) Ltd, as Manager in Charge of Operations at a salary of $17,500.00 U.S. plus a Company car and current benefits available to staff in Barbados.

1. As and when date of the move has been finalized, D. G. Clarke will advise D. Gretton, in writing, of the above and confirm that the offer includes the transportation of the Gretton family to Barbados plus the Company's agreement in the event of termination of employment, to accept liability for the transportation of the Gretton family back to the UK.

2. The date of the takeover from Allan Kovar should be as early in June as possible and this date will be dependent upon arrangements to be made by W. J. Sinsheimer. Gretton and other people involved in the takeover will be available for movement effective June 7, 1970.

3. It is envisaged that Gretton will require a period of two weeks with Peter Hewitt in Barbados, this time should be sufficient for Hewitt to arrange a complete handing over of the operation and a review of changes currently in hand and forward planning.

4. Frank Farr to be available in Barbados at the time of the takeover to completely review all outstanding commitments, pricing policy and set up the necessary procedure for the future handling of existing orders, new inquiries, and customer liaison.

5. The Components Group have indicated that W. Sweeney and M. Lewis should also be on hand in Barbados at the time of the takeover, Sweeney to review the financial control and insure that this is in keeping with Plessey policy and also based on the Portugal and Malta operations, also to assist Frank Farr in the necessary cost structure so that selling prices can be calculated. M. Lewis, who is responsible for production layouts and components and workload, to review the Barbados production facility and produce a proposal as how to best layout the production floor plan to insure smoother work flow and the ability to employ more operators in the existing floor space.

The visit of Sweeney and Lewis has to be approved by W. J. Sinsheimer.

6. At the end of the two week change over and review period, D. G. Clarke and N. Crocker to visit Barbados and it is suggested that Milton Albert should also be available at that time. This visit will be to completely review the action taken over the previous two weeks and to finalize the future planning and operation of the Barbados Facility both from a production viewpoint and commercial so far as orders, new inquiries, and product range are concerned. During this visit arrangements will be made to meet with the Prime Minister and the Attorney General to introduce Gretton and at the same time advise the authorities of the action taken.

7. It is agreed that following the takeover, all marketing in North America will come under the control of Frank Parr assisted by J. McNamara for engineering design support with customers, and sales will be promoted through the existing ISL Representative Organization.

8. The next step is for the finalization of the Boston location and the establishing of a service and test facility together with a sales office.

9. Originally it had been agreed that an Engineer, M. Boice, from Barbados should visit Towcester for training under Alan Jones, and that an Industrial Engineer should be loaned from Towcester to Barbados for a period of 6 months. This arrangement was initially entered into on the understanding that Allan Kovar would be running the facility for the 'Measuring Year'. In view of the action now agreed upon, the above should be reviewed after Gretton has settled and it then be decided as to whether it is necessary for these steps to be taken.

10. D. G. Clarke to advise N. Crocker of the date for the above plan to be put into effect, as soon as this date has been agreed by W. J. Sinsheimer, the intention being for the takeover group to arrive at the Barbados plant the day following dismissal of Allan Kovar.

D. G. Clarke

DGC:hh

Plaintiff's Exhibit No. 21

PX 21

D. G. Clarke

Norman J. Crocker

cc: Frank Parr
R. Lutz

1 June 1970

W. SWEENEY AND M. LEWIS VISIT TO BARBADOS

Reference my memorandum of May 25th concerning, Action Arising out of the Meetings held May 20th and May 22nd and in particular Item 5, I have reviewed this matter in detail with Warren Sinsheimer and Milton Albert and it has been agreed that, as we originally planned, Sweeney and Lewis are to visit Barbados with Frank Parr and D. Gretton at the time of the take over.

All that now has to be agreed is the actual date that this exercise takes place and I will be in touch with you in this regard as soon as the necessary arrangements have been finalized.

D. G. Clarke

DGC:hh

Pltf's Ex. - Clarke 3 for id. 11/29/72 - RGM

Plaintiff's Exhibit No. 22

PX 22

INTERNATIONAL SCIENTIFIC(1970) LTD.
MAY OPERATING STATEMENT

	MAY	APRIL
GROSS SALES	$143,462	$101,100
Less Duty, Freight and Commissions	$ 15,843	$ 11,300
NET SALES	$127,619	$ 89,800
COST OF SALES		
Labor	$ 8,616	$ 12,000
Material	$47,634	$ 36,900
Mfg. Expenses	$ 39,362	$ 28,900
Total	$ 95,612	$ 77,800
MANUFACTURING PROFIT	$32,007	$ 12,000
GEN'L. ADMIN. & MARK.	$ 17,044	$ 17,600
ENGINEERING	$ 8,753	$ 5,200
TOTAL	$ 25,797	$ 22,800
NET PROFIT	$ 6,210	($ 10,800)

Plaintiff's Exhibit No. 25

PX 25

June 5, 1970

Mr. D. Clarke
Plessey Electronics Corporation

Mr. Norman J. Crocker
Plessey, Towcester

Mr. B. A. Kovar
International Scientific (1970) Limited

RE: INTERNATIONAL SCIENTIFIC (1970) LTD.

Statistics

$ U.S. (approx. figures)

MAY Forecast	$135,000
May Sales	$132,000
Debit Returns	$ 7,000
Total	$125,000
Credit Returns	$ 17,000
Net Deliveries	$142,000

Profit $6200

Sales Forward Load

Arrears	$192,558	$ 8,000)	
June	$240,302	$ 8,000)	
July	$103,612	$ 8,000)	Honeywell
August	$101,190	$ 8,000)	Cable
September	$ 77,636	$ 8,000)	Business
October - July 1,1971	$ 78,732	$ 8,100)	
Total	$881,800		
Orders Unreleased	$1,150,434		
Grand Total	$2,032,234		
Sales Forecast June (5 weeks)		$210,000	

(N.B. This forecast includes 10,000 for cable harnesses for Honeywell - Lawrence)

PROGRESS

Have not given much time to Purchasing in view of your plans to recruit Buyer, am delighted we have Mr. Tito on Board.

Shop Accountancy has now started as planned and first information of any use will be available by end of first week of June.

PROTOTYPE SECTION

This has not been a success due to the lack of personnel sufficiently experienced in accompanying, however we will continue since it is necessary.

ENGINEERING

Despite the hard work done in this area and the recruitment of another semi-skilled draughtsman, the flow of design drawings and information is still behind the demands of production; in several instances we are making in advance of full drawings. With the rise in volume in production this area needs strengthening.

RECRUITMENT

Recruitment of direct operators has continued at 10 per week and soon the capacity of this building will be reached.

I would not advocate cramming of operators beyond our current typical spacing.

TESTERS

Two more machines arrived from Towcester and by the first week of June production testing of Hewlett-Packard stacks was started - this considerably relieves the existing C.T.C. tester load.

JUNE

This will be a month of consolidation of our previous changes and sales forecasted are 20% higher than May.

A meeting will soon need to be made concerning the appointment of a Production Controller - no later than mid-July.

Peter Hewitt

CLARKE #6

Plaintiff's Exhibit No. 26

#35

PLESSEY INCORPORATED

660 MADISON AVENUE

NEW YORK, NEW YORK 10021

PX 26

9th June 1970

International Scientific Limited
Seawell Industrial Park
Christ Church
Barbados, W. I.

Attention: Mr. A. Kovar

Gentlemen:

Reference is made to the agreement dated the 4th day of February, 1970, between your company and The Plessey Company Limited which agreement was thereafter assigned to and assumed by Plessey Incorporated and the letter agreement dated March 2, 1970, between your company and Plessey Incorporated.

Pursuant to the provisions of Paragraph 5. d. of said agreement as modified by Paragraph (2) of the letter agreement dated March 2, 1970, our Company was granted the right to assume full management responsibilities in the event that the profits of ISL commencing May 1, 1970, average less than $15,000 per month. We are advised by your controller that the profits during the month of May, 1970, did not reach $15,000. Consequently, our Company is exercising the right granted to it pursuant to the two aforementioned agreements to assume complete management control forthwith.

Very truly yours,

PLESSEY INCORPORATED

By Warren J. Sinsheimer

WJS:cs

cc: Mr. Raymond N. Carlin
Box 8000A
Chicago, Illinois

Mr. Lawrence G. Haggerty
Suite 224
540 Frontage Road
Northfield, Illinois

Mr. Victor L. Johnson
Box 423
Sparta, New Jersey

Mr. Leon G. VanBellingham
390 West End Avenue
New York, New York

Plaintiff's Exhibit No. 27

#35

PX 27

June 17, 1970

Mr. Warren Sinsheimer, Esq.
Sinsheimer, Sinsheimer and Dubin
660 Madison Avenue
New York, New York 10021

Dear Mr. Sinsheimer:

On behalf of the Directors of Scientific Holding Company, Ltd., I wish to acknowledge receipt of your letter to them of June 9, 1970, concerning your assumption of complete management control of International Scientific (1970) Limited.

I have discussed this action with four of the Directors and two of the shareholders, and they are greatly distressed. They believe that the progress of ISL through May, 1970, clearly indicated that the profit goal set for the Company under the Agreement of February 2, 1970 (as amended) would be met. In our negotiations you repeatedly indicated that no such action would be taken so long as progress was being made by ISL. You have now seen fit to assume management, despite your contrary assurances.

The Directors will look to Plessey Incorporated as trustee of the rights of Scientific Holding Co. under the February 2 agreement. The Directors know and will expect that the good faith management of ISL by Plessey Incorporated will entail the production of the maximum profit available during the 12 month period ending March 31, 1971. To this end the Directors have the confidence and will expect that you will make available to them a complete monthly accounting of all ISL activities, sales, expenses and such other information as may be necessary or desirable for them to determine whether, in their opinion, any course of action or omission is detrimental to attaining the profit goal.

ONLY COPY AVAILABLE E 154

11

In my experience as a Director of Inland Steel Company and of Joseph T. Ryerson & Son, Inc., as well as other companies, and as an officer of Ryerson I have many times been involved in the acquisition of companies over the past 16 years. Such involvement has been as negotiator, consummator, and in the administration of the acquired company as a unit of Joseph T. Ryerson. On a personal basis and as a private investor, I have been involved with a number of smaller companies that have been sold to or merged into other corporations. Based upon these many experiences it's my belief that you have assumed an awesome responsibility.

In the best interests of your fine company whose caliber is beyond question (one of my close personal friends discussed Plessey with me during our negotiations -- you may remember Frank Kapple who told me that one of his many varied interests had been sold to you) and, as well, in the interests of the shareholders of Scientific Holding Ltd.; I believe that I, along with Mr. Victor Johnson - a shareholder, Director of Scientific Holding Company, Ltd., and Vice President of Operations of American Sugar - should meet with you and your associates. Such meeting can take place at our mutual convenience as quickly as possible in the future - either in New York at your offices, or at mine in Chicago. At such a meeting we can discuss the complexities of your trusteeship over the next 10 months and the solution to the problems inherent therein.

Please let me hear from you.

Sincerely,

Raymond N. Carlon
President

fp

bcc: Mr. E. Allan Kovar
Mr. Victor L. Johnson
Mr. L. G. Van Bellingham
Mr. Julius Lewis <-- This Copy For
Mr. Lawrence G. Haggerty
Mr. Matthew E. Murray

#35

Plaintiff's Exhibit No. 28

PX 28

PLESSEY INCORPORATED

660 MADISON AVENUE

NEW YORK, NEW YORK 10021

22nd June 1970

REGISTERED LETTER
RETURN RECEIPT REQUESTED

Mr. Raymond N. Carlen
President
Joseph T. Ryerson & Son, Inc.
P. O. Box 8000-A
Chicago, Illinois 60680

Dear Mr. Carlen:

I acknowledge receipt of your registered letter of 17th June concerning Scientific Holding Company, Ltd. and I hasten to clarify what apparently is a misunderstanding in the mind of your Board.

The agreement dated February 4th, 1970, as amended, specifically sets forth what progress had to be made by ISL before our Company had the right to assume full management control. It is quite clear that such progress as was required by that agreement has not been made and it is further quite clear that neither I nor anyone else acting on behalf of The Plessey Company made any representations or assurances to you except those specifically contained in the agreement.

Plessey Incorporated specifically rejects the notion contained in your letter that it acts as a trustee of the rights of Scientific Holding Company pursuant to said agreement. The rights of Scientific Holding Company are specifically set out under that agreement.

With reference to your request that we make available monthly accountings, it is not the practice of The Plessey Company to make such statistics available outside of the Company and it will not be my intention to deviate from our normal corporate practice in this instance.

11/30/72 - 1 of 12

#12

I, frankly, can see no useful purpose that can be served in a meeting between us at this time. Our Company has an obligation to "continue the business of ISL during the measuring year in good faith." We intend to live up to that obligation.

Yours very truly,

PLESSEY INCORPORATED

By _____
Warren J. Sinsheimer
President

WJS:cs

Plaintiff's Exhibit No. 29

PX 29

Started 4:35 ended 5:15 11/3/70

Discussed reputation of Kissen, as fine company - Good investment relationship Frank Kapple - C finally remembered finally Gilbertson Kapple since Kissen entering on to Franchise deal with them - H said met Kapple.

I opened conversation - apologized for "curt" letter - he didn't seem to know it sound that way & then just read over letter before I answered and it was "curt" - I said "yes it was very curt"

- I read your (this Carlson) letter & was friendly and "extremely understanding" he is S and he kept using business slang.

Started to tell how Kovar was not accepting any of their suggestions and he called Kovar a stubborn man (this last comment after shuffling down terrible Office)

I said I was not interested in his relationship with Kovar but would rather discuss the rights of I S L shareholders under the agreement & the necessity of SHC (I S L) directors receiving figures. C rejected this & said in his opinion we had no right to receive such figures. I disagreed

He remarked his client thought it was going to be easy position because I S L was going to make more than 360,000 then Kissen would be paying full amount of $1,760,000 in April 1971. The sole obligation was only to see Kissen in good faith & that fulfilled (he said his association informed him action in both cases that was his only requirement)

I countered with specifics - still to be met (Generally accepted accounting principles Rule A B, C agreed that this was true and I told him that I must really investigate all of figures for I S L to reach conclusion of make up.

I said only if the client made 360,000 or more this be a point of contention since - but he just wanted understood that unless he took an investment (reasonable, right by letter dated June) that I judgment of the client would 360,000 that he would feel we can be sued

Earlier Dep X 1 id (7-17-73) MJS

[illegible] began interesting conversation & elicited what S has said - - - - - .

R repeated his complete concurrence

Harold C said this was first time pre trial conference had been held before litigation was entered into.

Will this agreed to & repeated Rights of Shareholders to get figures. R repeated completely. D said he'd have to bring these kinds of reports accounting qualification into court - if required after end of measuring year and our case was presented before a judge or a master who was an expert in accounting. D acknowledged this & repeated that he didn't think it necessary to get historical figures now or at some future date since they were to make more than this by 4/1/71

D asked did R have profit figures for June. S called someone on phone and asked if reports from Barbados were in. A 5 minute conversation ensued - S said during this "on their accounting basis they did make a profit in June" He then asked on phone about profit plan (budget for FSL) - heard calculating discussion - nothing of meaning. S hung up & told me "profit plan for July 1 70 & June 70 Calls for 665 or 670,000 after fuel management & Fleissig expenses were charged" on measuring basis this was over 900,000" R figured on our basis measuring year profits should be 500,000/600,000. D thanked him for that confidence and invited him to Chgo for debrief of this client & he'd bring the wine.

D again queried - should we you recognize our right to get accounting figures. He said he wasn't going to run at his set of figures and to should call him monthly & he'll give me figures over phone.

Our clerk hands & left at 5.10 PM NYDST

#18

Plaintiff's Exhibit No. 30

E-2

MEMORANDUM PX 30

Meeting between Messrs. Shapiro, Sinsheimer and Carlen in New York offices, July 13, 1970, started at 4:35 PM, NYDST.

Discussed reputation of Plessey as fine company. Questioned relationships with Frank Kapple. Sinsheimer finally remembered firm of Dunbar Kapple and Plessey entering into franchise deal with them. Sinsheimer had met Kapple.

Sinsheimer opened conversation - apologized for "curt" letter. He didn't mean to have it sound that way. Sinsheimer had just read over his letter to me dated June 22, 1970, before we arrived and said it was "curt" -- I said, "Yes, it was very curt".

Sinsheimer said your (Ray Carlen's) letter was friendly and "extremely articulate" but he, Sinsheimer, had to reject any trusteeship.

Started to tell how Kovar was not accepting any of their suggestions, and he called Kovar a stubborn man (this last comment after shutting door to his office).

I said I was not interested in his relationship with Kovar but would rather discuss the rights of ISL shareholders under the agreement and the necessity of SHC (ISL) directors receiving figures. Sinsheimer rejected this and said in his opinion we had no right to receive such figures. I disagreed.

Sinsheimer remarked he didn't think it was going to be any problem because ISL was going to make more than $360,000, thus Plessey would be paying full amount $1,260,000 in April, 1971. Sinsheimer's obligation was only to run Plessey in good faith and that fulfilled it (he said his associates informed him when he took over that that was his only requirement).

Carlen Dep X 2 ad (7-12-73) mps 130

I countered with specifics - still to be met - and read from page 7-A, principles, etc., etc., points A, B, C, etc. Sinsheimer agreed that this was true, and I told him that I must really investigate monthly figures for ISL to reach knowledge of make-up and progress.

Sinsheimer said only if they didn't make $360,000 would this be a point of contention and that he fully understood that when he took over management (exercised his right by letter dated June 9, 1970) that if he didn't make and didn't pay our $1,260,000, he would face us in a court.

Shapiro entered conversation and reiterated what Sinsheimer had said.

Sinsheimer repeated his complete concurrence.

Shapiro said this was first time pre-trial conference had been held before litigation was entered into.

With this agreed to, I repeated rights of shareholders to get figures. Sinsheimer rejected completely. I said he'd have to bring these kinds of reports and accounting justification into court - if required after end of measuring year and our case was presented before a judge or a master who was an expert in accounting. Sinsheimer acknowledged this and repeated that he didn't think it necessary to furnish figures now or at some future date because they would make more than this by April 1, 1971.

I asked did Sinsheimer have profit figures for June. Sinsheimer called someone on phone and asked if reports from Barbadoes were in. A five minute conversation ensued on the phone. Sinsheimer said during this "on their accounting basis they did make a profit in June". He then asked on phone about profit plan (budget for ISL) - heard catches of discussion - nothing of meaning.

Sinsheimer hung up and told me "profit plan for July 1, 1970 to June, 1971 called for "$605,000 or $620,000" after full management and Plessey expenses were charged - so on our measuring basis, this was over $900,000". Sinsheimer guessed on our basis, measuring year's April, 1970 to April, 1971 profits should be $500,000/$600,000. I thanked him for that confidence and invited him to Chicago for delivery of the check and I'd bring the wine.

I again queried - shouldn't you recognize our right and get accounting figures? He said he wasn't going to run extra set of figures, and I should call him monthly and he'll give me figures over phone.

We shook hands and left at 5:10 PM, NYDST.

R. N. Carlen

7-15-70

Plaintiff's Exhibit No. 31
PX 31 = AT

AT RECEIVED AS DEFENDANTS EXHIBIT #6

August 11, 1970

AT #1

TO: SHAREHOLDERS OF SCIENTIFIC HOLDING COMPANY LTD.
(formerly International Scientific Ltd.)

This is to inform you that the agreement between INTERNATIONAL SCIENTIFIC LTD. and the PLESSEY CO. LTD. dated February 4, 1970, was amended by letter agreements dated February 18, 1970, and March 2, 1970. I first became aware of the amendments verbally from Mr. Kovar on June 9, 1970, and on or about June 14, 1970, when I received a copy of a letter from Warren J. Sinsheimer, president of PLESSEY, INCORPORATED, addressed to INTERNATIONAL SCIENTIFIC LTD. giving notice that PLESSEY was "exercising its right to assume complete management control (of ISL), forthwith," in accordance with the provisions of the agreement dated February 4, 1970, as modified by letter agreement dated March 2, 1970.

The takeover was upon conditions imposed (changing from three to two months the effective time to raise level of profits per month to $15,000) on the "measuring year" in an amendment demand by PLESSEY at the last minute as a condition to close. These were not known to me, and if known, would not have been acceptable. Obviously, I did not attend the negotiations, was not consulted, and cannot determine as a matter of hindsight - how I would have reacted.

I requested a conference with Mr. Sinsheimer to discuss the reasons for the PLESSEY takeover and the many problems involved. He first refused and then agreed to such a meeting, which took place July 13, 1970.

During the meeting we discussed the conditions leading up to the PLESSEY assumption of management responsibility and our rights as shareholders of ISL (now Scientific Holding Company Ltd.) to receive reports as needed to evaluate the good faith management of PLESSEY.

I took the position that the amendments to the agreement, under which PLESSEY assumed the management, were not made with the approval of the shareholders, and hence the assumption of management by PLESSEY imposed upon PLESSEY an extraordinary responsibility to reach the profit goal of $360,000 for the measuring year or be prepared to redress the shareholders for any damages sustained as a result of its failure.

While Mr. Sinsheimer (who I found quite impressive) would not agree to furnish our company or its officers with such financial information and rejected the proposition that PLESSEY was a trustee for the benefit of ISL shareholders, he did express, several times, his confidence that profits of the Barbados facility, as managed by PLESSEY, will be such that the maximum payment under our contract will be made by PLESSEY next spring.

Raymond N. Carlen

fp
cc: Directors

September 30, 1970

To: Mr. D. Clarke
Mr. M. Albert
Mr. F. Parr

Plaintiff's Exhibit No. 35

INTERNATIONAL SCIENTIFIC (1970) LIMITED

This Report relates to the four week period ending September 27, 1970 (20 production days).

STATISTICS

MEMORIES	$ U.S.
September Forecast	161,000
September Sales	120,266
Debit Returns	44,472
Total	75,794
Credit Returns	42,408
Net Total	118,202

Sales Forward Load	$ U.S.
Arrears	181,904
October	47,524
November	43,658
December	38,276
January	40,379
February	7,805
March	7,246
Order Book Beyond March	61,547
Total	428,339
Unreleased Business	969,267

October Forecast (24 production days)	$ 173,000

/.....

Copy of - Clarke's Report
12/1/72

Cableforms	
Sales Forecast	$11,000
Sales	$12,620
Arrears	$ 6,879
October	Order in Process of Cancellation

On September 24 Honeywell cancelled out the majority of the cableform orders. This cancellation has been made due to a cut back in work in Honeywell following the General Electric - Honeywell merger.

During the month allegations were made that our cableforms did not meet Honeywell's quality requirement. These allegations however were proved to be false.

Mr. Allsop is calculating the cancellation charges for this contract. These charges are expected to be fairly substantial because of the amount of work in progress.

1. General Comments

(a) Output September - the main reason we did not meet the forecast figure was the delay in receiving 28 AWG gauge wire. This wire did not arrive in the factory until September 21 though it had been promised on or around August 16. Ninety-eight percent of our stacks use this particular wire. This is reflected by the fact that we had manufactured the majority of the stacks in the last week but could not get them through the test/repair cycle in time for this month's output.

We took delivery of the Hewlett Packard computer model 2115 and it has been used to great effect during the month. We have received a letter from Hewlett Packard thanking us for our efforts in producing new stacks and turning around reworks.

Mohawk Data Sciences returned 15% of our stacks for faults which proved impossible to find on our pulse test machine and could only be isolated by D.C. testing. New equipment has been ordered so that we can set up a D.C. test section and thus eliminate the possibility of despatching stacks with this type of fault. In the meantime we are carrying out low voltage D.C. checking.

(b) October Outout - this forecast is based on expected delivery dates for material. It is essential that Purchasing in Farmingdale give us a schedule of delivery for some of the long running items like printed circuit boards, etc. Purchasing must also

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keep us informed on the status of materials on the Magnavox project. They are in possession of a "Critical Path Analysis Diagram" for this project and we must know immediately should projected delivery dates slip.

(c) Visitors to I.S.L.

(i) Mr. F. Parr - Plessey Memories, Incorporated
Mr. Parr spent four days in the plant and we were able to review purchasing and the marketing/production interface problems. Mr. Parr was impressed with the progress being made in implementing quality and production procedures on to the shop floor.

(ii) Mr. D. Clarke - Plessey Electronics Corporation
Mr. Clarke spent three days in the plant. We were able to show Mr. Clarke examples of the new work benches and chairs that are being built on the island. Mr. Clarke was also impressed by the procedures, etc. that we have installed on the shop floor.

(iii) Mr. J. Dever - Plessey Memories Incorporated
Mr. Dever spent three weeks with us doing a study on our estimating procedures and shop floor standards. We are awaiting, with interest, his visit report.

(iv) Mr. J. Cuthbertson - Plessey U.K.
Mr. Cuthbertson is a time study engineer who arrived in Barbados on September 20 to carry out an eight week study into shop floor standards and operator and department performance. It is too early at this stage to comment on Mr. Cuthbertson's findings. We have established however that Mr. Cuthbertson has agreed to assist in training one of our employees in time study, etc. It should be noted that Mr. Cuthbertson spent two weeks at the Matrix factory in Lisbon prior to coming to Barbados.

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2. Production Floor Re-layout

The local supplier for light fittings let us down on delivery dates and therefore we were not able to go ahead as planned with the re-layout of the production floor. We are now awaiting new delivery dates and still expect to have the re-layout completed by the Christmas recess.

3. Accounts

Mr. John Allsop arrived in Barbados on September 15 from Plessey, Towcester. I have appointed him as Controller of the Barbados facility. He will install Plessey accounting systems throughout the factory and develop Mr. Fenty (Assistant Controller) in these systems. Mr. Allsop will also pick up and develop the Material Control function.

4. Quality Problems

A "quality task force" has been set up to improve the quality and workmanship of the memory products we manufacture. This team takes a product line at a time, brings the quality up to an acceptable level and then moves on to a new line. However, they leave behind an audit inspector who continuously monitors the quality of that line reporting directly to the task force. This force has only been in operation for two weeks but the results that have been achieved are very positive. The quality of the Hewlett Packard and Mohawk lines has improved considerably, so much so that we have had several Mohawk units pass at first test.

The progress of this team will be monitored very closely.

5. Manufacturing Engineering

Several projects on the shop floor are now covered by bench sketches and cost control booklets. These bench sketches are proving succussful and we have now started to monitor the cost control system and report. No new project is accepted on the floor unless it is fully documented.

6. Personnel

Two expatriate members of staff have been given notice during the month:-

Mr. D. Michalski and Mr. C. Launius - they will leave the

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Company on November 30, 1970. Mr. Boice is expected to leave Barbados during October to take up the position of Quality Engineer with Plessey Memories, Incorporated in Boston.

The new organisation chart will be issued during the first week in October.

D. Gretton
General Manager

TC
OAK SHAFT

	ISL SALES POTENTIAL	BOOKINGS FORECAST
		12 MONTHS STARTING 6/1/70
NEW ENGLAND	$ 1,397,000.	$ 489,000.
NEW YORK	1,131,000.	575,000.
MIDWEST	1,555,000.	735,000.
NORTHWEST	1,300,000.	720,000.
SOUTHERN CAL.	1,680,000.	530,000.
SOUTHWEST	112,000.	10,000.
CANADA, MIDATLANTIC, & FLORIDA	895,000.	230,000.
TOTAL POTENTIAL: (IDENTIFIABLE)	$ 8,070,000.	$ 3,289,000.
PROGRAMS IN 2ND 6 MONTHS: (NOT NOW KNOWN)		+10% = 329,000.
TOTAL BOOKINGS, NEXT 12 MONTHS:		$ 3,618,000.

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Plaintiff's Exhibit No. 55

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SALES POTENTIAL 9/70 - 5/71

CUSTOMER PROGRAM	PRODUCT DESCRIPTION	ISL SALES POTENTIAL	CAPTURE ODDS	BOOKINGS FORECAST	CAPTURE MONTH	MONTHLY RATE	UNIT PRICE	COMMENTS
HONEYWELL/ BOSTON	3LW42X100	$ 27,000.	65%	$8,000.	SEPT.	25	$90.	PILOT DEVELOPM
	8K VERSION OF ABOVE 4K	15000.	80	12000.	~~MAR.~~ OCT.	20	$150.	PROTOTYPE UNI
		300,000.	50	150,000.	JAN	200	150.	PRODUCTION
HONEYWELL/ FRAMINGHAM	1KX10 4W 31-108	100,000.	50	50000.	JULY	50	100.	PROTOTYPE SUBA
	4KX9 4W 30MIL							
HONEYWELL/ LAWRENCE	CABLE ASSYS.	250,000.	40	100,000.	SEPT. DEC. MAR. JUN.	2000.	5.	SUBJECT TO QUALITY & DELIV ON INITIAL $5 ORDER INCRE
E 170 -INDEX	1KX8 3W PLANAR 2040G	20000.	75	15000.	JUN	50	75.	FOLLOW ON.
	4KX8 3W	70,000.	50	35000.	OCT.	100	70.	FOLLOW ON.
		250,000.	20	50,000.	NOV. MAY	20	500.	SUBJECT TO QA
GE INDUSTRIES	1KX16 4W 30	35,000.	20	7000.	NOV.	5	175.	LITTON 1ST SO
	4KX16 3W 30	80,000.	40	32,000.	MAY.	10	400.	PROTOTYPE UNI
CAMBRIDGE MEMORIES	4KX16 3W PLANAR 2040G	250,000.	20	50,000.	OCT.	10	500.	RESUBMIT PROTOTYP
DEC	4KX18 3W PLANAR 1811A	800,000.	10	80,000.	JAN	20	800.	PROTOTYPE FIE

VIATRON	4Mx16 3W PLANAR 20406	400,000.	-	-	-	-	-	400.	NOT PRACTICABLE BUSINESS.	
DATA GEN'L	4Kx16 3W 31-108 PLANAR 3W 18406	338,000. 448,000.	-	-	-	-	-	338. 448.	NOT PRACTICABLE AT THIS TIME	
FOXBORO	4Kx16 3W PLANAR 24406	385,000.	-	-	-	-	-	550.	CANNIBALIZE STAC NEW QUOTE. CUSTOMER INFO	

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
IBM/KINGSTON	CORE PLANES, VARIOUS	$ 150,000.	65%	$ 100,000.	OCT	2000	$ 5.	FALL UPTURN
MDS/HERKIMER	1KX12 3040?	50,000.	80	40,000.	JUN	40	165.	2ND 250 OF 500 UNIT ANNUAL AG
	220X16 4W 30	75,000.	80	60,000.	JULY	100	75.	PROTOTYPES TO MDS FLORIDA FIRS
COMPAT TERMINAL	4KX16 3W PLANAR 20406	500,000.	50	250,000.	JUN SEPT. DEC. MAR.	50	494.	14 MONTH AGREE (P.O.# 1885)
ALL MILITARY AIRBORNE	1KX16 4W PLANAR 30MIL.	240,000.	50	120,000.	AUG.	40	300.	PROTOTYPE ORDER RECEIVED.
HAZELTINE	2KX8 3W 20406	125,000.	10	12,000.	JUL.	20	125.	DEPENDENT ON PROTOTYPE ORDER CAPTURE TO GE BACK IN. (PROD ORDER LOST ON DELIVERY).
		$ 1131 K		$ 575K				

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SYSTEM PROGRAM	PRODUCT DESCRIPTION	POTENTIAL SALES	FUTURE ODDS	BOOKINGS FORECAST	CAPTURE MONTH	MONTHLY RATE	UNIT PRICE	COMMENTS MW
JOCLEAR DATA	4Kx24 30MIL	$50,000.	80%	$40,000.	NOV.		$1000.	FOLLOW CH.
	1Kx24	20,000.	60	12,000.	NOV.		400.	PROTOTYPE IN HOUSE
	512x24	12,000.	75	9,000.	NOV.		240.	FOLLOW ON.
	64x48x4	4,000.	75	3,000.	NOV.		140.	" "
	48x32x4	3000.	65	2,000.	NOV.		90.	" "
	4Kx4 PLANES (30 MIL)	35,000.	90	30,000.	JULY		150.	
JOCLEAR CHICAGO	4Kx12 4W30	30,000.	50	15,000.	AUG.	5	600.	PROTOTYPES/INHOUSE
	8Kx12	50,000.	50	25,000.	AUG.	5	1000.	ORDERS INHOUSE
	16Kx12	45,000.	40	18000.	AUG.	2	1800.	
	64x48x4 (DOM (FRANK)	50,000.	80	40,000.	JUL.	25	200.	
JEISMANTEL	32Kx70 3W 20406	120,000.	50	60,000.	DEC		1200.	PROTOTYPE ORDER COMING.
PACKARD INST.	4Kx24 4W30	60,000.	20	12,000.	NOV.	2	1200.	REQUIRES PROTOTYPE AT M/C.
	1Kx24	20,000.	20	4,000.	NOV.	2	400.	
DC/REDEN HILLS	32^2 AW 16MIL	15,000.	20	3,000.	DEC.	200	15.	PILOT PRODUCTION.
COLLINS/ CEDAR RAPIDS	16Kx33 2½D 3W 20406	400,000.	-	-	-	-	4000.	PROGRAM DELAY CAPTURE PROTOTYPE FIRST.

MIL (2)

MAGNAVOX DIFAE	32K×16	$ 570,000.	70%	150,000. 300,000.	SEPT. MAR.	5	$ 6000.	RELEASE OF 95 UNITS ON HOLD.
KICKSORT	4K×24 4W3D	30,000.	20	6000.	OCT.	1	$ 1200.	PROTOTYPE ORDER NEEDED FIRST.
	1K×24 31-108	10,000.	20	2000.	OCT.	1	400.	
	512×24	6,000.	20	1000.	OCT.	1	300.	
CINCINNATI MILL	4K×8 3W 20406	25,000.	20	5000.	NOV.	5	250.	PROTOTYPE FIRST

CUSTOMER PROGRAM	PRODUCT DESCRIPTION	IC SALES POTENTIAL	PROB. ODDS	BOOKINGS FORECAST	CAPTURE MONTH	MONTHLY RATE	UNIT PRICE	COMMENTS (N.INP.)
HEWLETT-PACKARD/ CUPERTINO	8KX17 30MIL 31-108	$600,000.	80%	$480,000.	JULY JAN	40	$1200.	FOLLOW ON.
	8KX17 22MIL 20406	700,000.	50	350,000	JUL. OCT. JAN. APR.	50	700.	RELEASE BY ANN OF ANNUAL AGREEME
	DIODE MODULES	150,000.	60	90,000.	OCT.	6000	$1.50	RELEASE BY ANN OF EXISTING ORDE
LOVELAND	4KX6 4IN 30 22MIL	100,000.	40	40,000.	JAN	40	700.	
FEIDEN/ SAN LEANDRO	512X6 34-164-1	150,000.	40	20,000.	SEPT.	80	50.	
				40,000.	MAR.	160	50.	
		$1,300K		$720K				

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CUSTOMER PROGRAM	PRODUCT DESCRIPTION	ISL SALES POTENTIAL	CAPTURE ODDS	BOOKINGS FORECAST	CAPTURE MONTH	MONTHLY RATE	UNIT PRICE	COMMENTS (LA)
SLI	4Kx8 or 9 1Kx8 or 9	$ 250,000.	80%	$ 200,000.	JUN THRU MAY	100	$ 200.	RELEASES ON ANNUAL AGREEMENT
JAPAN ASSOCIATES	8Kx18 3LH 18406	320,000.	50	160,000.	SEPT.	10	1600.	FOLLOW ON SUBJ TO PERFORMANCE ON 10 PC. PILOT OR
HONEYWELL/ SAN DIEGO	3LH 42x100 30405	200,000.	35	70,000.	SEPT.	400	35.	SUBJECT TO DELIVE PERFORMANCE ON PRESENT ORDER.
SMI	PLANAR ARRAYS	250,000.	10	25,000.	-	-	-	RELATIONSHIP DETERIORATING
RAYTHEON COMPUTER	4Kx18 3LH 20406	300,000.	10	-	-	-	600.	REINSTATE/WILL REQUIRES NEW IS PROTOTYPE.
ICC	4Kx36 ETC. PLANAR ARRAYS	250,000.	20	50,000.	NOV.	-	-	WILL GIVE US CHAN AT ONCOMING WORK DESPITE CANCELLATIO
MICROSYSTEMS	1Kx9 3W 20406	50,000.	40	20,000.	OCT.	20	100	PRESENT ORDER ON HO
DIGITAL PRODUCTS	4Kx16 4W 30411L	60,000.	50	30,000.	NOV.	5	600.	SUBJECT TO PROTOTYP APPROVAL.
		$ 1680K		$ 855K				

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CUSTOMER PROGRAM	PRODUCT DESCRIPTION	$ SALES POTENTIAL	CAPTIVE ODDS	BOOKINGS FORECAST	SALES MONTH	MONTHLY RATE	UNIT PRICE	COMMENTS - SW & MISC.
T.E./BLACK CANYON	1KX9 3W PLANAR 18PIL	$100,000.	10%	-	-	-	$/00.	LOST ON TECHNIC COMPETENCY, FIB TRY, SPEC. REVI
COLLINS/ DALLAS	512X12 30PIL	12,000.	80%	$10,000.	OCT. APR.	5	200.	FOLLOW ON.
DATACRAFT/ BARBADOS	64^2 PLANE	?		?		100		HOUSE A/C; FOLLOW ON
		$112,000.		$10K				

CUSTOMER PROGRAM	PRODUCT DESCRIPTION	SALES POTENTIAL	CAPTURE ODDS	BOOKINGS FORECAST	SCAN PC MONTH	MONTH RATE	UNIT PRICE	COMMENTS (BT)
HONEYWELL/ TORONTO	3W42X100 30408	$115,000.	90%	$104,000.	AUG. NOV. FEB. MAY	100	$86.50	CONTINUATION OF 4K ANNUAL AGREEM
CONS. COMP. SERVICES/ OTTAWA	8KX17 3W 20406 (H-P)	180,000.	10	18,000.	DEC.	4	900.	GOV'T PROGRAM DELAYED.
DUCCOUGHS	CORE PLANES 4W 30MIL	200,000.	10	20,000.	OCT.	40	50.	WHEN WE ARE READY TO GO BACK.
OPTICAL SCANNING	1KX9 4W3D 31-108.	30,000.	50	15,000.	SEPT.	10	150.	PROGRAM SLOW
GE/LYNCHBURG	8KX16 3W3D 20406	120,000.	40	48,000.	NOV.	5	1200.	PROTOTYPE DELIV PROGRAM FUTUR INDETERMINATE
SEL	4KX16 3W 20406	250,000.	20	50,000.	JAN	10	500	PROTOTYPE ORDE FIRST.
		$895K		$230K				

To: Frank Ross

Plaintiff's Exhibit No. 58

PX 58

(1)

RECEIVED
JUL 20 1970

July 15, 1970

Mr. D. Gritton
General Manager
International Scientific Ltd.
P. O. Box 625
Bridgetown
Barbados, West Indies

Dear Mr. Gritton: Subject: Honeywell-Lawrence, Mass.

The purpose of this letter is to bring you up to date on the results of the visit to Honeywell-Lawrence, with Carroll Launius and Dick Michalski and to express my appreciation for their visit. It was a most beneficial eyeball to eyeball meeting. The immediate results of the trip were excellent. Samples that were hand carried, were processed through test, hand in hand with the production and QC people. The cables were accepted. Workmanship, dress and quality were acceptable. A report reflecting Honeywell acceptance of ISL workmanship, quality and conformance to specification, as well as the turned-on attitude of ISL, will be forthcoming very shortly.

I wish to state that the progress made in the last several weeks is excellent and the support extended by Carroll and Dick has been outstanding. This is directly reflected in the conformance to schedule with acceptable parts. I heartily recommend the continued assignment of these gentlemen to the Honeywell cable and assembly programs.

The magnitude of these programs cannot be understated. The present cable program is only the initial or prototype phase to see what we can do and how we can do it. The present questimate on the yearly cable requirements would be in the area of 4 million dollars for the Laurence facility alone. With three (3) present outside sources and one not producing as yet, you can appreciate the potential. It has been and is continuing to be emphasized to me, that I can pick up as much business as can be handled. Since the common denominator is labor this business with Honeywell can be one of "growth" and "profit".

Add to this a major stuffing program now being generated, with all material and testing to be handled by the customer, you can see the magnitude of this repeat business. With ISL being approved as a vendor by Lawrence, the doors are thus opened to Lowell, Brighton, San Diego, California and Toronto, Canada. We have arrived and have established ourselves at Honeywell. I am now striving to become a "Blue Chip" supplier.

In continued support of this Honeywell cable program, I would like to recommend the following:

1. That this office be advised by TWX or T/T of all shipments, with PO number, type and quantity noted. This to be on the date shipped or delivered to the Air Terminal. Include the Air Waybill Number on each parcel shipped.

2. Advise of any material shortage, wherein we can work with Honeywell or the supplier, in expediting the shipment to Barbados.

3. Advise of any design or production problems so we may correct in close liaison with Honeywell.

There is much business behind this present order and our level of performance will determine how much we will get. If there is any assistance I can provide please feel free to call on me. Thanking you for your kind assistance and looking forward to meeting you personally in the near future, I remain

Very truly yours,

V. J. Huntoon

vjh/ac

c.c. Frank Parr
Bill Tucker
Carroll Launius
Dick Michalski

Plaintiff's Exhibit No. 59

cc: Matt Clarke

PX 59

July 30, 1970

Mr. V. J. Huntoon
V. J. Huntoon Associates
272 Center Street
Newton, Massachusetts 02158

Dear Vincent:

Your letter dated July 15 sent to Mr. Dave Gretton of Barbados regarding Honeywell-Lawrence has been left to me to action.

As I recall, the policy of Plessey has been stipulated two or three times with regard to the potential and planned production eminating from Barbados. It is simply this, and I wish to reiterate one more time, Plessey intend and have agreed with the Barbados Government that the plant situated there will be used solely for the purpose of manufacture of memory units.

In addition to this we plan to expand the facility and utilize every square inch of space currently available for the production of memory stacks. The area taken up at the present time in the manufacture of cable forms is very valuable and can be put to better use in memory manufacture.

By this letter I am informing you officially that we do not wish to take additional orders for cable forms or for any other business other than core stacks. However, since there is obviously a great demand for this type of manufacture I have contacted our associate, Plessey, Brazil, who had expressed a great interest in this type of business and will visit the United States very shortly to discuss the possibility of Plessey, Brazil manufacturing and at what price, etc. I will keep you informed as to when the visit is planned and you and Bill Tucker can make your presentation.

I had appreciated, Vince, that you have expended a considerable amount of effort in promoting this business but I feel that if the Company policy had been made more definite and more specific you would not have gone to all this trouble but, who knows, Plessey, Brazil, may come through and give you unlimited production facility. In the meantime, I am looking forward to

Cont.....

seeing you shortly.

Thank you for your assistance.

Yours sincerely,

PLESSEY ELECTRONICS CORPORATION

Frank J. Parr
Marketing Manager
Memory Products Division

FP:ac

Plaintiff's Exhibit No. 71

DX 71

MATRIX U.S.A.

26th September, 1969

PREPARED BY: D. ROLLINS

H. KINNEY

OBJECTIVE

To expand the Matrix Business.

ACTION

To penetrate the non captive U.S.A. market to approximately 5% in five years.

This proposals sets out the plan for achieving the objective.

BASIC ASSUMPTIONS

Powders and cores will be made in Towcester.

Weaving, Stacking and Stack Testing will be carried out in a low cost labour area (Lisbon/Malta).

Marketing, Prototype Stack Liaison, Customer Technical Support, and Field Service will be handled by Plessey Electronics Corporation in U.S.A.

Detailed Design Engineering, Production Engineering and Production Control will be directed from Towcester.

I.B.M.	General Electric	Collins Radio
UNIVAC	Honeywell	Philco/Ford
Control Data	S.D.S.	Raytheon Computer
N.C.A.	R.C.A.	Hewlett-Packard
Burroughs	G.E.I.	Bell Telephone
N.C.R.	Standard Computer	Automatic Electric
	S.M.S.	I.T.T.
	Varian Data Machines	Western Union
	Documentor Sciences	Tempo Computers
	General Automation	Micro Systems

PLUS:- Mini Computer Manufacturers
Data Systems Manufacturers
Auto Terminal Manufacturers
Peripheral Manufacturers

SIZE IN MILLIONS OF DOLLARS

	TOTAL	CAPTIVE	NON-CAPTIVE
1969/70	26,500	20,000	6,500
1970/71	32,000	25,000	8,000
1971/72	37,000	27,000	10,000
1972/73	43,000	31,000	12,000
1973/74	49,000	35,000	14,000

AUTHORITY FOR THE ABOVE INFORMATION

We know the size of the Non-Captive U.S.A. Market available to us to a sufficient degree of accuracy by independent analysis and surveys performed by:-

F. Perm
N. Strelzer
A. Kennedy
H. Kirshop?

This has also been confirmed by articles in Electronic News U.S.A.; published April, 1969, and by Computers and Automation, January, 1969.

GROWTH OF THE MARKET

Electronics Magazine U.S.A. conservatively projects a growth rate of 15% p.a. for several years.

Competitive pricing in the U.S.A. Market has been established by H.P. Hallsop in a survey of the market conducted in the U.S. The survey was based largely upon computer and data systems manufacturers in the Southern California area which is considered to be representative of the total U.S. stock market.

We are able to build up a Sales Value of the Non-Captive Stack Market as follows:-

	Millions of Bits	Price Per Bit	Value £ Millions
1969/70	6,500	1.15	30
1970/71	8,000	1.05	35
1971/72	10,000	0.975	41
1972/73	12,000	0.935	48
1973/74	14,000	0.90	54

[illegible]

The marketing goal is to achieve a minimum of 5% penetration of the Non-Captive U.S.A. Market within five years.

WHY SHOULD THE MARKET BUY MUCH FOR LESS?

1. The rapid growth of the data systems Market, particularly in the area of mini-computers, Data Terminal and peripheral systems, creates the opportunity for another proven supplier.
2. Engineering examination shows Plessey quality and design to be equal to U.S.A. supplier.
3. Prices ruling in the U.S.A. can be met by Plessey.
4. Awareness of Plessey in the U.S.A. as a leader in Technical Development and as a competent supplier of memory products.

WHICH AREA OF THE MARKET WILL GIVE PLESSEY ITS PENETRATION?

1. Plessey Electronics Corporation will direct its sales efforts primarily toward the volume O.E.M. commercial-type customers who typically procure 100 or more units per annum.
2. Computer manufacturers, data systems manufacturers, and peripheral device manufacturers represent the most significant potential.
3. All major computer companies will be contacted even though they may have their own Ferrite and Matrix facilities. Most O.E.M.'s purchase stacks from at least two sources and many buy from three or more.
4. An initial survey specifically identifies approximately 150 known sales prospects. It is estimated that the account list will develop to more than 250 potential customers.
5. It is anticipated that Plessey's position in the U.S. Market will be that of a "supplementary source" during the first two or three years. Beyond Plessey can become a prime supplier to a number of companies. The continuing position as both prime and supplementary supplier gives Plessey a "broad-based market", to work into and thus should support both stability and growth.

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THE U.S.A. MANAGEMENT, MARKETING AND DISTRIBUTION ORGANIZATION NEEDED TO IMPLEMENT THE PLAN

The key personnel required to initiate this plan are already available to Plessey and those needed to supplement the organisation are recruitable in the U.S.A. (See proposed Organisation Chart and Planning Schedule - Tables 6 and 7).

PLANNED ACHIEVEMENT

	SALES VALUE £K		SALES IN UNITS (MILLIONS)	MARKET PENETRATION £	MARKET PENETRATION BITS
1969/70	26		5	-	-
1970/71	580	= $1,392,000	137	1.6%	2.7%
1971/72	1,349	= $3,237,600	345	3.3%	3.4%
1972/73	1,684		453	3.5%	3.8%
1973/74	1,973		554	3.7%	4.0%

WHAT IS THE COMPETITION SITUATION?

1. Chief competition for the U.S.A. Non-Captive Matrix business will come from M.M.I./Indiana General, Fabritek, Ferroxcube and Amper. These companies currently account for approximately 75% of the Matrix Market.

2. The remaining 25% of the market is distributed among a number of suppliers. Some are large companies such as R.C.A. and Burroughs whose predominant concern is to supply their own in-house needs. Lockheed Electronics is largely a supplier of memory systems and does not choose to compete too strongly for Matrix business. The balance is accounted for by a number of smaller memory companies such as Data Products, Datacraft, etc.

3. Plessey will direct its competitive sales efforts toward the customers of both the major and smaller Matrix suppliers. It is believed that early sales success in 1969/70 will most likely be achieved with companies who are relatively new in the industry where procurement commitments are not historical and are more susceptible to Plessey's challenge.

4. Plessey's plated wire Matrix accomplishments will assist in penetrating the U.S.A. Market with those customers who take a long range view in establishing a procurement relationship with a new supplier.

SALES PROMOTION SUPPORT

1. Colour brochures describing Plessey's capabilities and Matrix products have been prepared and are ready for use in the initial U.S.A. Marketing programme. These brochures cover both the Ferrite and Plated-wire product lines. They will be reprinted later to U.S. format and orientation.

2. Data sheets on core and stack characteristics are available for immediate use. These will also be reprinted to U.S.A. format later.

3. Services and support of U.S.A. customers on a timely and efficient basis is essential for success of the Matrix programme. Steps will be taken within the Towcester, Lisbon/Malta - U.S.A. organisations to ensure prompt and positive handling of quotations, orders and field service, and response to customer enquiries concerning delivery status.

BUILDINGS

WORCESTER - No new building should be required until 1971. The decision to provide additional facilities need be taken only as the business is known to be developing.

Worcester will be able to use planned and existing floor space to satisfy the needs of the first year of Matrix - U.S.A. operations.

LISBON/MALTA - The overseas assembly operations will continue in existing rented facilities. Additional rented building space will be available as needed for the business as it develops.

U.S.A. - Existing facilities of Plessey Electronics Corporation in Farmingdale, Long Island are adequate for personnel and plant requirements projected through 1974.
The Sales Office on the West Coast will be in rented space Mid 1970 - Home or office.

PLANT

A detailed forecast of the Plant and Machinery required has been prepared.

MANPOWER

WORCESTER - Worcester will require some 65 more direct male operators and a further 21 Engineering Staff and 25 Production and Administrative Staff by 1973/74. A detailed list has been prepared.

It should be noted that the additional Engineering Staff would exceed this number significantly if it were not for the back-up engineering capability which is already in being at Worcester.

LISBON/MALTA - The overseas assembly operations will require an additional 750 plus direct operators by 1973. These will be available in either Lisbon or Malta.

U.S.A. - The U.S.A. organisation has been discussed in the Marketing Plan.

FINANCIAL SUMMARY £000s

£000s

	DELIVERIES	WORLD PRE-TAX PROFIT	PLANE REQUIRED	ANNUAL CASH FLOW
1969/70	26	(84)	58	(158)
1970/71	580	95	150	(153)
1971/72	1,349	380	176	204
1972/73	1,684	467	125	257
1973/74	1,973	602	46	381

D.C.F. RATE 40% PLUS

PX 72

Plaintiff's Exhibit 72

INTEGRATED WORLD MEMORY

BUSINESS PLAN

8th May 1970

PLESSEY

COMPONENTS GROUP

C O N T E N T S

	Page No.
Summary	1.
Plessey Forecast Deliveries	2.
Strategic Plan	3, 4 & 5.
Action Plan	6 & 7.

Appendix I World market survey in £/Million

II World market survey in millions of bits

III Anticipated Plessey share of world market £million.

IV Anticipated Plessey share of world market millions of bits.

V Organisation charts Year 1

Year 2 -3

Year 4

oooOooo

INTEGRATED WORLD MEMORY BUSINESS PLAN

SUMMARY

This brochure sets out a plan to develop our existing substantial U.K. memory business, and our newly formed U.S.A. memory business into a world-wide total memory activity. The basis of this plan is the development of an organisation integrated under one management. The growth of this organisation in three stages is shown starting with the budget year 1970/71 for which all positions shown are now filled, or capable of being filled. The second year shows the development of this organisation leading to a third with a complete managerial board running a world-wide memory business organised in three areas, U.K. & the Middle East; U.S.A. and Pacific.

The total world market in numbers of bits for core memories, plated wire memories and integrated circuit memories, is developed with an indication of the share of this market which The Plessey Company should enjoy. This shows that within five years we shall have a memory business in these technologies, excluding integrated circuits, of £25 million per annum.

An action plan and organisation aimed at achieving this turnover is detailed, and also the need to investigate other storage devices suitable for this market area, such as high speed discs and new optical storage devices, which should be included if we are to develop a total competence in memories across the world, is highlighted.

It can be seen that the pattern has already been set in the new U.S.A. organisation, whereby each area is organised on a functional basis with marketing, engineering and manufacture. It will be necessary to change the organisation in the U.K. to fit in with this format if we are to develop our total business across the world in an integrated manner. This step is a simple one since the marketing organisation has now been set up for the U.K. and Europe under a Marketing Manager, and the people are available immediately to fill the Manufacturing Manager, Technical Manager and World Planning Manager's positions. It is highly desirable that this be actioned by 1st July this year in order to coincide with the start up of our new memory facility in Rome.

SUMMARY OF PLESSEY FORECAST DELIVERIES (£ MILLIONS)

	U.K.		EUROPE		U.S.A.		TOTAL	
	STACKS	SYST.	STACKS	SYST.	STACKS	SYST.	STACKS	SYST.
1970	2.8	4.37	0.48	0.3	1.0	0.37	4.28	5.04
TOTAL	7.17		0.78		1.37		9.32	
1971	3.92	5.5	1.43	1.0	2.1	0.83	7.45	7.33
TOTAL	9.42		2.43		2.93		14.78	
1972	4.3	5.0	2.36	2.27	3.79	0.81	10.45	8.08
TOTAL	9.3		4.63		4.6		18.53	
1973	4.8	4.0	3.7	4.8	4.07	0.8	12.57	9.6
TOTAL	8.8		8.5		4.87		22.17	
1974	5.3	4.1	4.08	6.66	4.05	0.83	13.43	11.59
TOTAL	9.4		10.74		4.88		25.02	

STRATEGIC PLAN

1) This plan is based upon 2 simple factors relating to the computer industry.

   (1) The rapid growth of the computer and its peripheral industries.

   (2) The international nature of this industry.

   Virtually no other sector of the electronics industry is growing at such a rate, and almost no other sector of the industry is organised on an international basis. Nearly all the major computer manufacturers in the world (principally American) have manufacturing and marketing operations in all the major industrially developed centres of the world. Many of them also have research and development centres similarly spread throughout the world. In order to serve an industry organised in this way it is considered necessary similarly to deploy ourselves with marketing, engineering and manufacturing establishments set up in the three major divisions of the world, namely, Europe and the Middle East, U.S.A. and Pacific.

2) In order to develop the facilities and provide the service required for this world-wide business it is considered essential to organise the operations on a functional basis with each of the three major world divisions having its own marketing, design engineering, and manufacturing capabilities. Details of the suggested organisation in three phases are shown in Appendix V. It is evident that the first essential step is to give the responsibility for the growth of this world business to one person and then to establish a world planning team.

3) The world markets have so far been analysed in terms of core memories, plated wire memories and integrated circuit memories, together with the expected share of the world markets in cores and plated wire. This must be extended now to cover optical and rotating memories in the short term, O.E.M. equipment and new technologies in the longer term across the world, together with an investigation

STRATEGIC PLAN CONT'D

Without the ability to produce the basic ferrite core it is doubtful whether we would be in the memory stack business. Similarly our anticipated penetration in the plated wire stack and systems business is reliant upon our ability to produce the basic plated wire.

If the Company is to have a major impact on the semiconductor memory market it is equally important for us to have the design ability coupled with a competitive volume production integrated circuits facility.

If we cannot produce standard chips economically on a mass production scale in competition with other world suppliers it is unlikely that the Plessey Company will be successful in the integrated circuit memory market.

4) Europe

Plans are already underway to exploit the E.E.C. market by the establishment of facilities near Rome. These facilities will provide marketing, engineering, design and service first to Italy and later to other E.E.C. countries. The mass production of weaving will be carried out in Malta. The advisability of setting up a second core manufacturing facility in Rome is also being investigated.

Whilst this plan in its basic concepts is being appraised a provisional detailed plan for the integration of memory systems and memory stacks is being produced. Initially technical responsibility for engineering of both stacks and systems will be organised under one man, and responsibility for manufacture given to another. These people are already available. It is recognised that joint responsibility for manufacture of stacks and systems has some complications due to the integration of manufacture at Poole. This, however, should not inhibit the creation of the new structure even though the day to day direct production responsibility for the existing systems at Poole cannot be handed

STRATEGIC PLAN CONT'D

planning and forecasting and particularly the longer term production facility planning for new systems as they are added to the product range.

U.S.A.

The recent establishment of the U.S.A. Memory Division forms the basis of the plans for the U.S.A. with the recent acquisition of I.S.L. in Barbados advancing these plans considerably. The decision has already been taken to establish a Marketing, Engineering and Service facility in the Boston area and before very long a Marketing and Engineering facility will also be established on the West Coast. A new Marketing Manager for the U.S.A. has recently been appointed and the Barbados management strengthened by the loan of the Manager from the Portuguese facility.

Pacific

This area has not yet been investigated in depth nor have any facilities been established. It is evident that the major market is at the moment within Japan though it is expected that in Australia and other territories the computer market will gradually grow and be worthwhile. The tentative thoughts at the moment are that the establishment of a memory facility in Singapore primarily selling into Japan should be investigated. This is considered to be the major immediate action in this area.

A C T I O N P L A N

1) OBJECTIVE Form Organisation to achieve maximum penetration with the Company's Memory products in the world computer industry.

a) ACTION Set up unified technical and manufacturing capability for stacks and systems in line with existing marketing policy.

MR.J.A. CLARK -MAY 1970

b) ACTION Appoint General Manager for this world-wide activity.

MAIN BOARD - MAY 1970

II) OBJECTIVE Establish organisation structure to meet the demands of this market on a world basis.

ACTION Implement functional structure detailed in Appendix V.

GENERAL MANAGER-JUNE 1970

III) OBJECTIVE Formulate product policy for systems.

ACTION Carry out comprehensive Market Survey of:-

a) Europe	AREA	1970
b) U.S.A.	MARKETING	1970
c) Africa/Middle East	MANAGERS	JAN-JUNE 1971
d) Japan	WORLD PLANNING	JLY.1971
e) Australasia	MANAGER	JAN-JUNE 1972

IV) OBJECTIVE Formulate Product Policy for stacks.

ACTION As III (investigate possibility of using Consultants). Whilst it is believed a systems market could exist in Africa/Middle East and Australasia significant local manufacture is not expected in the first three years of this plan therefore no stack market will be available in that time scale.

ACTION PLAN (CONT'D)

V) OBJECTIVE Broaden product range in line with market requirement established in market surveys.

ACTION a) Company new developments — GENERAL MANAGER

b) Acquisition — WORLD PLANNING MANAGER / JUNE 1970

c) Licensing

VI) OBJECTIVE Establish balanced manufacturing facilities.

ACTION Survey internationally and select most viable manufacturing locations.

GENERAL MANAGER
AS HIGHLIGHTED BY PLANNING MEETING

VII) OBJECTIVE Provide adequate manpower for world operation.

ACTION a) Recruit — MANPOWER MANAGER REVIEWED AT MONTHLY CONTROL MEETINGS

b) Establish training programme tailored to provide broad based managerial - production and technical personnel for world locations.

TRAINING MANAGER
JULY, REVIEWED AT MONTHLY CONTROL MEETINGS.

VIII) OBJECTIVE Implement Company Policy for World Memory Operation.

ACTION Prepare individual department action plans in line with overall policy. GENERAL MANAGER
WORLD PLANNING MANAGER
FUNCTIONAL LINE MANAGERS
IMMEDIATE/REVIEW MONTHLY

WORLD MARKET £MILLION

YR		U.K.	E.F.T.A.	E.E.C.	TOTAL EUROPE	U.S.A.	WORLD TOTAL
1	STACKS						
	Cores	6.35	3.17	15.9	25.42	110.0	135.42
9	Pl.Wire	.188	NIL	NIL	.188	3.75	3.938
7	SYSTEMS						
	Cores	21.0	10.4	53.0	84.4	360.0	444.4
0	Pl.Wire	.37	NIL	NIL	0.37	15.0	15.37
	I.C'S	NIL	NIL	NIL	NIL	6.3	6.3
1	STACKS						
	Cores	6.71	3.36	16.8	26.87	108.0	134.87
9	Pl.Wire	1.0	NIL	NIL	1.0	1.5	2.5
7	SYSTEMS						
	Cores	22.0	11.0	55.0	88.0	380.0	468.0
1	Pl.Wire	2.5	NIL	NIL	2.5	50	52.5
	I.C!S	0.2	0.26	1.37	1.83	8.3	10.13
1	STACKS						
	Cores	6.6	3.3	16.5	26.4	86.4	112.8
9	Pl.Wire	1.53	.03	0.14	1.7	63.0	64.7
7	SYSTEMS						
	Cores	23.0	11.6	58.0	92.6	316.0	408.6
2	Pl.Wire	3.75	.09	.38	4.22	198.0	202.22
	I.C'S	.63	1.33	6.65	8.61	53.0	61.61
1	STACKS						
	Cores	6.7	3.35	16.8	26.85	77.8	104.65
9	Pl.Wire	1.69	.1	.83	2.62	67.0	69.62
7	SYSTEMS						
	Cores	25.0	12.5	62.0	99.5	303.0	402.5
3	Pl.Wire	4.0	.8	3.0	7.8	230.0	237.8
	I.C'S	2.5	1.47	7.45	11.42	70.0	81.42
1	STACKS						
	Cores	6.7	3.35	16.8	26,85	74.0	100.85
9	Pl.Wire	2.0	.47	1.75	4.22	43.0	47.22
7	SYSTEMS						
	Cores	27.0	13.5	67.0	107.5	285.0	392.5
4	Pl.Wire	4.2	1.34	5.0	10.54	142.0	152.54
	I.C'S	3.2	1.86	9.2	14.26	87.0	101.26

NOTE:- Eastern Europe and Middle East - only known manufacturers in these territories are Israel, where the volume is insignificant and within the U.S.S.R. where no reliable information is available.

Japan - the computer industry in this territory is growing at a rate in excess of the U.S.A. Home manufacture of completed systems increased from

WORLD MARKET MILLIONS OF BITS

YR		U.K.	E.F.T.A.	E.E.C.	TOTAL EUROPE	U.S.A.	WORLD TOTAL
1	STACKS						
9	Cores	1270	635	3160	5065	24000	29065
	Pl. Wire	30	NIL	NIL	30	600	630
7	SYSTEMS						
0	Cores	1270	635	3160	5065	24000	29065
	Pl. Wire	15	NIL	NIL	15	600	615
	I.C.'S	NIL	NIL	NIL	NIL	500	500
1	STACKS						
9	Cores	1464	732	3650	5846	26000	31846
	Pl.Wire	200	NIL	NIL	200	3000	3200
7	SYSTEMS						
1	Cores	1464	732	3650	5846	26000	31846
	Pl.Wire	150	NIL	NIL	150	3000	3150
	I.C.'S.	16	21	110	147	1000	1147
1	STACKS						
9	Cores	1600	800	4000	6400	23000	29400
	Pl.Wire	386	7	30	423	16000	16423
7	SYSTEMS						
2	Cores	1600	800	4000	6400	23000	29400
	Pl.Wire	300	7	30	337	16000	16337
	I.C.'S	76	160	800	1036	8000	9036
1	STACKS						
9	Cores	1780	890	4470	7140	22000	29140
7	Pl.Wire	580	30	250	860	23000	23860
	SYSTEMS						
3	Cores	1780	890	4470	7140	22000	29140
	Pl.Wire	400	80	300	780	23000	23780
	I.C'S	376	220	1120	1716	12000	13716
1	STACKS						
9	Cores	1900	950	4750	7600	21000	28600
	Pl.Wire	800	60	500	1360	17000	18360
7	SYSTEMS						
4	Cores	1900	950	4750	7600	21000	28600
	Pl.Wire	500	160	600	1260	17000	18260
	I.C.'S	552	320	1580	2452	21000	23452

Sources of information:- Electronics, Financial Times, Technometrics Inc.(The Computer Memory Industry), Institute of Marketing and Board of Trade.

Reference made to:-

Planning Report 010 Automation Division Poole June 1969

Memory Systems Market Review, Office of Corporate Planning May 1969

APPENDIX III

PLESSEY ANTICIPATED SHARE £MILLION

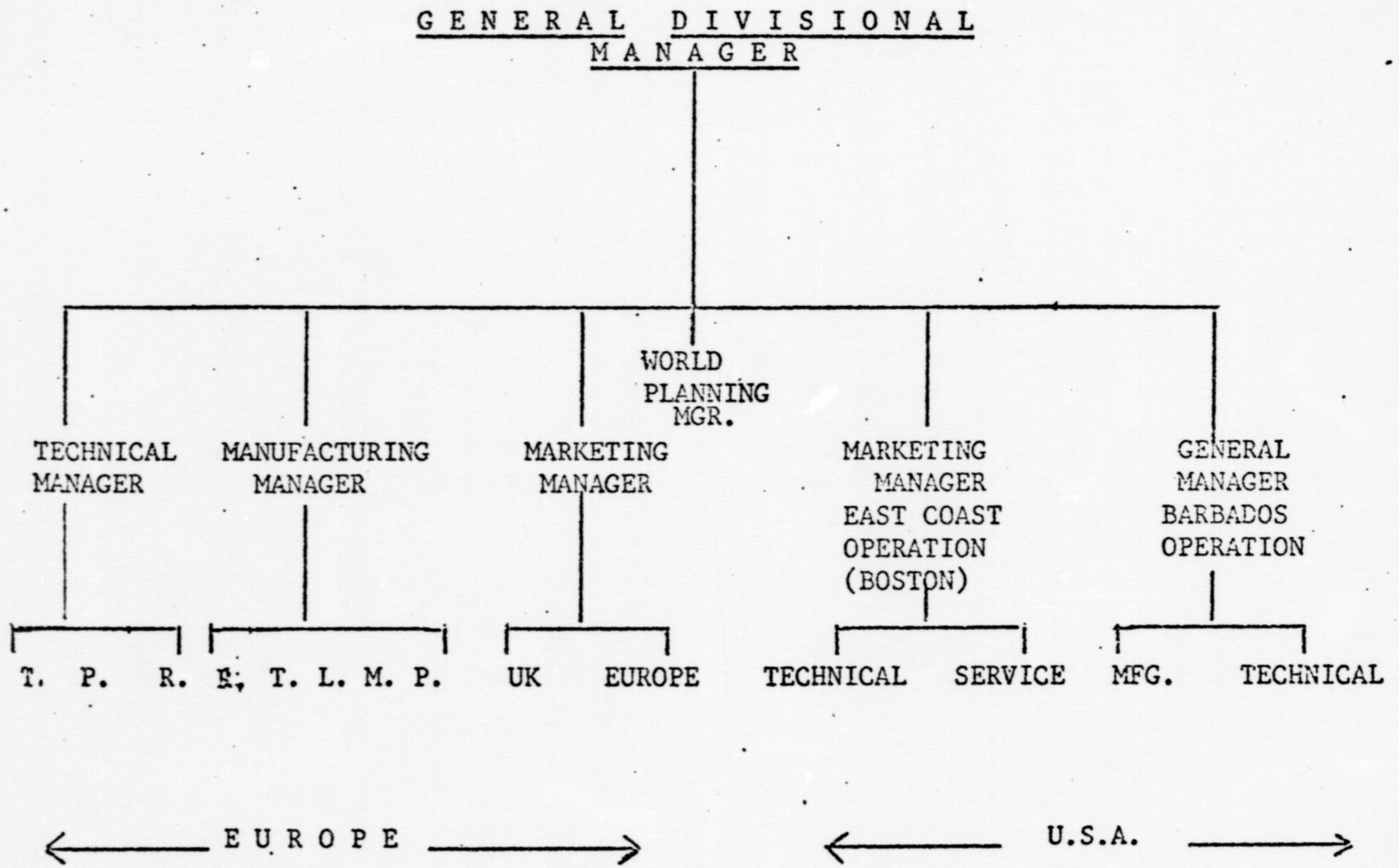
YR		U.K.	E.F.T.A.	E.E.C.	TOTAL EUROPE	U.S.A.	WORLD TOTAL
1	STACKS						
9	Cores	2.71	0.25	0.23	3.19	1.00	4.19
	Pl.Wire	0.09	NIL	NIL	0.09	NIL	0.09
7	SYSTEMS						
0	Cores	4.0	0.3	NIL	4.3	NIL	4.3
	Pl.Wire	0.37	NIL	NIL	0.37	0.37	0.74
		7.17	0.55	0.23	7.95	1.37	9.32
1	STACKS						
9	Cores	3.17	0.23	0.74	4.14	1.6	5.74
	Pl.Wire	0.75	NIL	NIL	0.75	0.5	1.25
7	SYSTEMS						
1	Cores	3.5	0.5	0.5	4.5	NIL	4.5
	Pl.Wire	2.0	NIL	NIL	2.0	0.83	2.83
		9.42	0.73	1.24	11.39	2.93	14.32
1	STACKS						
9	Cores	3.1	0.25	1.27	4.62	2.6	7.22
	Pl.Wire	1.2	0.01	NIL	1.21	1.19	2.4
7	SYSTEMS						
2	Cores	2.5	0.7	1.3	4.5	NIL	4.5
	Pl.Wire	2.5	0.08	0.19	2.77	0.81	3.58
		9.3	1.04	2.76	13.10	4.6	17.70
1	STACKS						
9	Cores	3.6	0.6	2.4	6.6	2.9	9.5
7	Pl.Wire	1.2	0.1	0.2	1.5	1.17	2.67
	SYSTEMS						
3	Cores	1.0	0.8	3.0	4.8	NIL	4.8
	Pl.Wire	3.0	0.5	0.5	4.0	0.8	4.8
		8.8	2.0	6.1	16.9	4.87	21.77
	STACKS						
	Cores	4.0	0.61	3.0	7.61	3.3	10.91
	Pl.Wire	1.3	0.11	0.36	1.77	0.75	2.52
	SYSTEMS						
	Cores	1.0	1.0	4.0	6.0	NIL	6.0
	Pl.Wire	3.1	0.83	0.83	4.76	0.83	5.59
		9.4	2.55	8.19	20.14	4.88	25.02

PLESSEY ANTICIPATED SHARE (MILLIONS OF BITS)

YR		U.K. No.	U.K. %	E.F.T.A. No.	E.F.T.A. %	E.E.C. No.	E.E.C. %	U.S.A. No.	U.S.A. %
1	STACKS								
9	Cores	544	43	50	7	46	1	200	3
	Pl.Wire	15	50	NIL	-	NIL	-	NIL	-
7	SYSTEMS								
0	Cores	240	19	18	3	NIL	-	NIL	-
	Pl.Wire	15	100	NIL	-	NIL	-	15	8
	I.C'S	NIL		NIL		NIL		NIL	
1	STACKS								
9	Cores	692	47	50	7	162	4	390	5
	Pl.Wire	150	75	NIL	-	NIL	-	100	10
7	SYSTEMS								
1	Cores	234	16	33	5	33	1	NIL	-
	Pl.Wire	120	80	NIL	-	NIL	-	50	6
	I.C'S	See Footnote							
1	STACKS								
9	Cores	747	47	60	8	304	8	690	10
	Pl.Wire	300	78	1	14	NIL	-	300	7
7	SYSTEMS								
2	Cores	171	11	48	6	89	2	NIL	-
	Pl.Wire	200	67	6	86	15	50	65	1
	I.C'S	See Footnote							
1	STACKS								
9	Cores	954	54	130	15	646	14	825	12
	Pl.Wire	400	69	30	100	60	24	400	6
7	SYSTEMS								
3	Cores	70	4	56	6	212	5	NIL	-
	Pl.Wire	300	75	50	62	50	16	80	-
	I.C'S	See Footnote							
1	STACKS								
9	Cores	1140	60	170	18	846	18	940	15
	Pl.Wire	500	63	40	67	125	25	300	6
7	SYSTEMS								
4	Cores	70	4	71	7	271	6	NIL	-
	Pl.Wire	375	75	100	63	100	17	100	-
	I.C'S	See Footnote							

FOOTNOTE:-

The anticipated penetration in integrated circuit memories is not given above since inadequate market information and product planning is currently available



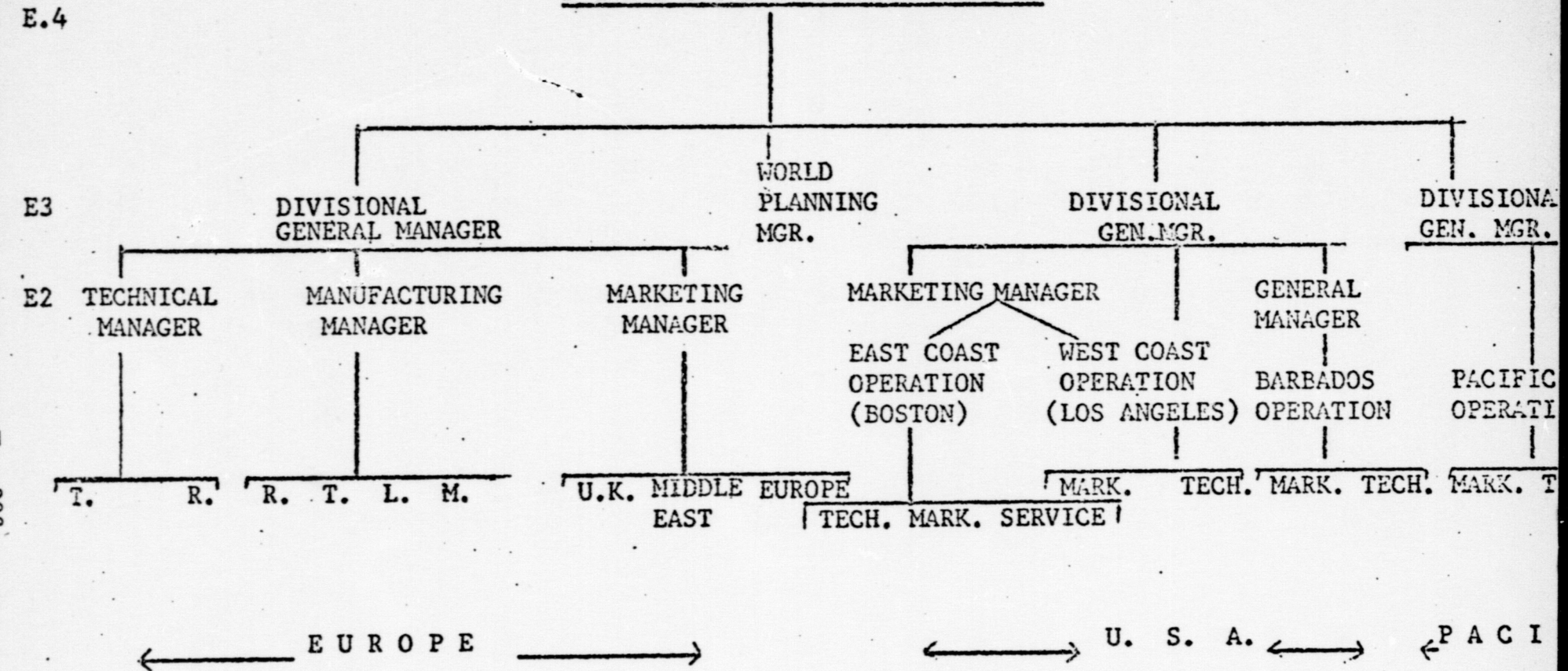
KEY:-

T. = Towcester

2. = [illegible]

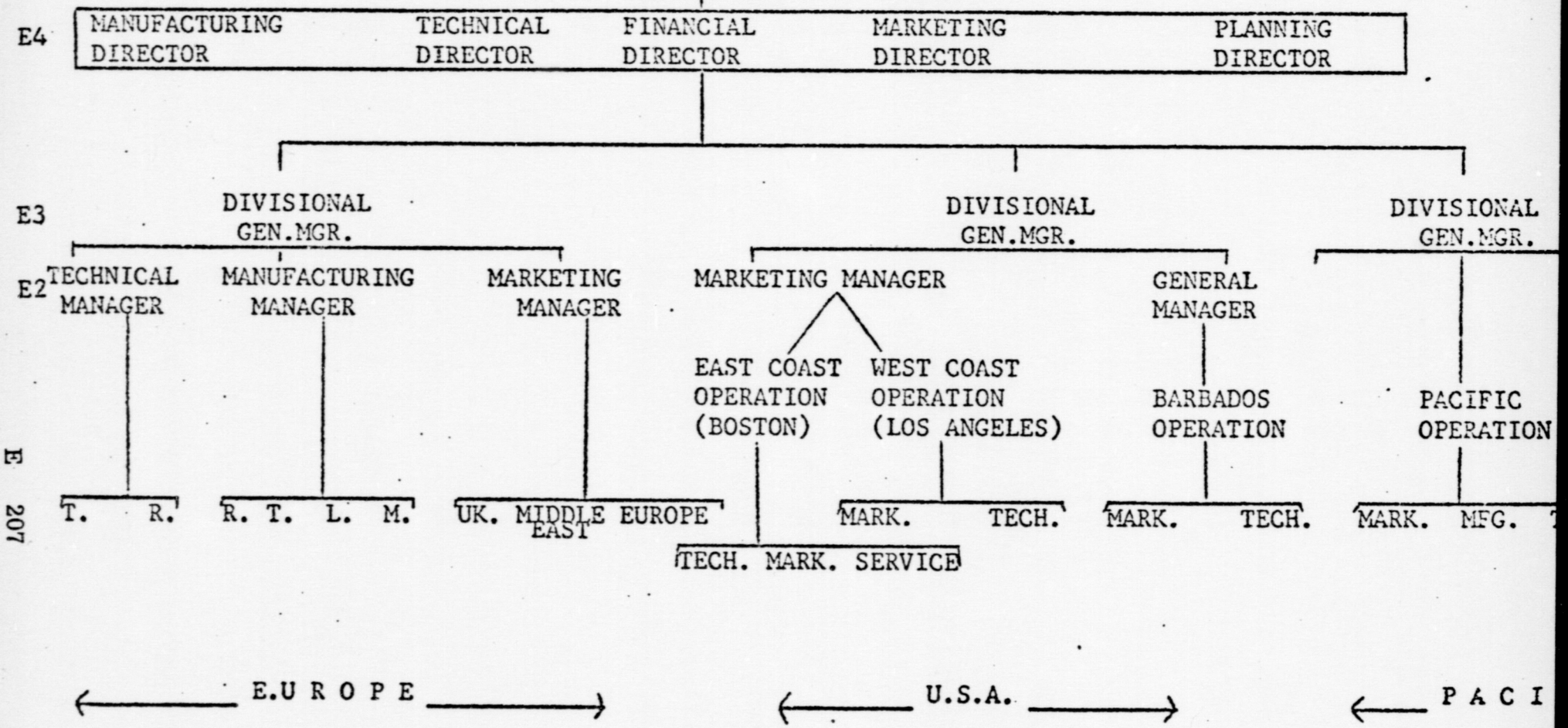
DIVISIONAL DIRECTOR MEMORIES

YEAR 2-3 (71-73



KEY:-
T.=Towcester
P.=Poole
R.=Rome
L.=Lisbon
M.=Malta

DIVISIONAL DIRECTOR MEMORIES



KEY:-
T = Towcester
R = Rome
L = Lisbon

DISTRIBUTION:-

Mr. J.A. Clark
Mr. M.W. Clark
Mr. G.C.Gaut
Mr. W.J.Sinsheimer
Mr. G.H. Doust
Mr. W. J. Dalziel
Mr. G.A. Smith
Mr. E. Frye
Mr. A. Jones
Mr. R. Blackmur
Mr. D.G. Clarke
Mr. P. Calvert
Mr. E.A. Chapman
Mr. J. Edwards
Mr. K.H.Frostick
Mr. L. Hadfield
Mr. D. Holmes
Mr. G.W.H. Lewis
Mr. F.J. Parr
Mr. W.F. Sweeney.

(11)

PX 77

Barbados

Plaintiff's Exhibit 77

4 June 1970

Mr. Peter Hewitt
International Scientific (1970) Ltd
P.O. Box 625
Bridgetown,
Barbados, W.I.

Dear Peter:

I understand from Patrick Tito that you telephoned him this morning and indicated it might be advisable for him to make a visit to Barbados.

In view of the plans which Norman Crocker and I have for the future handling of the Barbados situation, I can not see any useful purpose being served in Tito visiting International Scientific Ltd. at this time.

Will you please forward to Tito, a comprehensive purchasing procedure that you intend following in Barbados so that he can then establish a standard routine at this end for purchases and shipments.

Mr. R. Lutz, my Controller, has already advised me that we received from Barbados purchase order numbers and requisition numbers and in his opinion it would be better for your Purchasing Department to merely issue a requisition to Tito, we will then raise the purchase order on the actual supplier.

Will you please action this procedure program as quickly as possible and advise Tito of your plans.

Yours sincerely,

PLESSEY ELECTRONICS CORP.

D. G. Clarke
President

DGC:hh

cc: N. Crocker ✓
R. Lutz
P. Tito

ONLY COPY AVAILABLE

Plaintiff's Exhibit 109 PX 109

FROM: E. FRYE
W. J. SINSHEIMER

TO: MAIN BOARD DIRECTORS

INTERNATIONAL SCIENTIFIC LIMITED

The Main Board Standing Committee appointed a subcommittee consisting of the Managing Director, the Finance Director and the Director of Overseas Operations to investigate and finalize the potential acquisition of International Scientific Limited, a corporation in Barbados engaged in the manufacture of matrixes and memory stacks.

Briefly, this company is in dire financial straights, it having at this time either no asset value or a negative net worth. It appears that this company needs an immediate infusion of $600,000 to continue in business. There are some 30 shareholders and debenture holders who have acquired stock at values from about $1 to $4 per share.

The company is budgeting for the current calendar year to achieve sales of approximately $2-1/2 million and profits of about $360,000.

The Memory Division of the Components Group strongly urges the acquisition of this company as a base for our North American Matrix Operation, which has heretofore been approved by the Board. The Memory Division of the Components Group sent a production expert to Barbados and his report has already heretofore been given to the Main Board Standing Committee.

We had a meeting with the principal shareholder of International Scientific Limited and their legal advisers on 6th January. As a result of this meeting, the following offer was made by us subject to approval of the Board:

We would acquire either all of the shares or all of the assets of International Scientific Limited without the payment of any money but on condition that we would finance the operation which we believe will require in the order of $600,000 (£250,000). As additional compensation to the shareholders, we would pay at the end of 12 months from the date of acquisition up to $1,400,000 (£583,000). The exact amount to be paid shall be

determined by the profit performance relative to their budget of $350,000 (£146,000) with them receiving the entire amount at $350,000 profit and that proportion of the entire amount that they actually achieve against their profit budget, i.e. if they only achieve profit of $175,000, they would only receive $700,000 out of the $1,400,000.

On the basis of the recommendations of the Memory Division of the Components Group in connection with the product order book and product facilities and on the basis of the financial arrangements negotiated, we recommend the Board authorize the acquisition.

Warren J. Sinsheimer

WJS:cs

7.1.70

COMPANY CONFIDENTIAL

EXCERPT

Plaintiff's Exhibit 110

PX 110

MINUTES OF MEETING OF BOARD OF DIRECTORS
HELD AT ILFORD ON FRIDAY 27th FEBRUARY, 1970

Present:

Lord Harding (In the Chair)
Mr. J.A. Clark
Mr. Michael Clark
Mr. T.C. Hudson
Mr. G.C. Gaut
Mr. F.J. Fielding
Mr. E. Frye
Mr. W.J. Dalziel
Dr. B.F. Willetts
Mr. M. Haddon-Grant (Secretary)

In attendance:

Mr. G.A. Smith) For Item 31(a) only
Mr. H. Sweetbaum)

An apology for absence was received from Mr. W.J. Sinsheimer.

ACTION

(c) Barbados

Mr. Frye reported that it was hoped to sign the final Agreement very shortly. The prospects for Barbados were better than originally envisaged but it had been necessary to make the following changes in the proposals previously approved by the Board:-

(i) the working capital to be immediately provided was now likely to be in the region of $800,000.

(ii) the purchase would now be carried out by Plessey Inc. and not direct by 'Limited' as originally proposed. — Mr. W.J. Sinsheimer

These changes were approved.

Plaintiff's Exhibit 111

PX 111

REPORT ON THE PROPOSED ACQUISITION OF I.S.L. SEAWELL BARBADOS BY PLESSEY INCORPORATED

REPORT ON THE PROPOSED ACQUISITION OF I.S.L. SEAWELL BARBADOS BY PLESSEY INCORPORATED

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I.S.L. HISTORY AND PRESENT STATUS

International Scientific Ltd. was incorporated in Barbados on 23 July 1966, under the direction of E. A. Kovar, President. On 4 April 1968, the Company was granted Approved Export Manufacturer status with a declared Official Production Date commencing 1 January 1968. This Export status granted I.S.L. corporate tax exemption for a period of ten years.

I.S.L. entered into an agreement with the Industrial Development Corporation (a Barbadian Government corporation) to provide them with an air-conditioned factory of 23,000 sq. feet, situated at Seawell, Christ Church, adjacent to the Barbados Airport. I.S.L. have at their own expense extended the factory by adding 3,500 sq. feet.

The lease offers I.S.L. the opportunity to purchase at any time during its duration, it runs for a period of 25 years with an option to extend for two similar periods. It should be noted that this lease agreement has not been signed due to a disagreement between I.S.L. and I.D.C. on the annual rent. The current financial position of I.S.L. is such that without the injection of additional working capital, the company will cease to operate as of end February 1970. Plessey Electronics Corporation in February transferred $84,000 U.S. for the purchase of the house occupied by E. A. Kovar and owned by I.S.L., this cash is just sufficient to keep the company operating until March 2, 1970 proposed closing date.

I.S.L. PERSONNEL REPORT AS AT FEBRUARY 8, 1970

No. of Employees		369
No. of Employees on Vacation		1
No. of Employees on leave of absence		34
Total No. of Employees		404

		Vacation or leave of abse
Direct - PRODUCTION	241	30
Indirect - PRODUCTION		
Production Managers	7	
Section Managers	3	
Floor Managers	15	
Foreman/Ladies	10	1
Production Aides	8	3
Technicians	5	
Clerks	6	
Test Operators	14	
Quality Control	5	
Machinists	2	
Indirect - ENGINEERING		
Supervisors	3	
Technicians	2	
Draftsmen	3	
Maintenance Personnel	12	
Indirect - ADMINISTRATION		
Corporate Officers	4	1
Supervisors	3	
Clerks/Stenotypists	9	
Villa Staff	3	
MANAGEMENT TRAINEES		
Trainees	14	
TOTAL	369	35

LIST OF KEY EMPLOYEES

Name	Termination Date	Dollars/Year
D. Ballantyne (Des. Engin.)	90 day notice	$ 7,200
M. Boice (Q.A. Engin.)	19 May, 1970	12,000
R. Hinds (Pers. Mgr.)	90 day notice	4,650
D. Hirsch (Service Mgr.)	90 day notice	3,600
E. Hourihan (Asst.Sec'y-Treas.)	90 day notice	12,000
R. Keppel (Engin. Mgr)	90 day notice	15,600
E. A. Kovar (President)	Open	40,000
E. Kuester (Gen'l. Foreman)	31 March, 1971	10,020 (+1,0
J. Lanham (Gen'l. Foreman)	19 May, 1970	12,000
C. Launius (Gen'l. Foreman)	15 March, 1971	11,400 (+1
R. Michalski (Q.C. Mgr.)	30 Nov. 1970	14,000
*J. Nordstedt (Oper. Mgr.)	15 Oct. 1970	22,000
G. White	90 day notice	12,600
P. Wood	90 day notice	4,500

*J. Nordstedt is leaving the company as of 28 February 1970.

TRADING POSITION - Figures for Year Ending 31 December 1969.

STATEMENT OF PROFIT AND LOSS
(Expressed in U. S. Dollars)

	1969	1968
SALES	$1,072,809.51	$417,887
Less duty, freight & commission	134,949.28	50,466
NET SALES	937,860.23	367,421
Cost of Sales	898,231.68	532,851
GROSS PROFIT (LOSS)	$ 39,628.55	($165,430)
Engineering Expenditure	66,899.66	48,033
Administration Expenses	189,486.23	117,952
Marketing Expenses	34,933.34	52,219
	291,319.23	218,204
OPERATING PROFIT (LOSS)	($ 251,690.68)	(383,634)
OTHER EXPENSES:		
Amortization of preproduction expenses	65,428.29	20,[illegible]26
Debenture interest	37,616.00	34,[illegible]
Finance charges on lease purchase of eqpmt	9,285.12	9,285
Finance charges on building	10,000.00	10,821
Other interest (net)	13,772.85	9,227
Loss on sale of fixed assets	--	4,615
Refinancing charges incurred	7,641.13	--
Realized loss on devaluation	--	5,235
	$ 143,743.39	$ 93,472
NET LOSS FOR THE YEAR	395,434.07	477,106
DEFICIT - Beginning of the year	770,024.09	292,917
DEFICIT - End of the year	$1,165,458.16	$770,0[illegible]

4 (b) Ja uary 1970 Results

Sales	$111,000 U.S.
Forecast Loss	9,500 U.S.

4 (c) February 1970 Projection:

Sales	$112,000 U.S.
Loss	6,500 U.S.

4 (d) Order Book Position $2,041,000 U.S.

4 (e) Comments on the I.S.L. Budget for 1970:

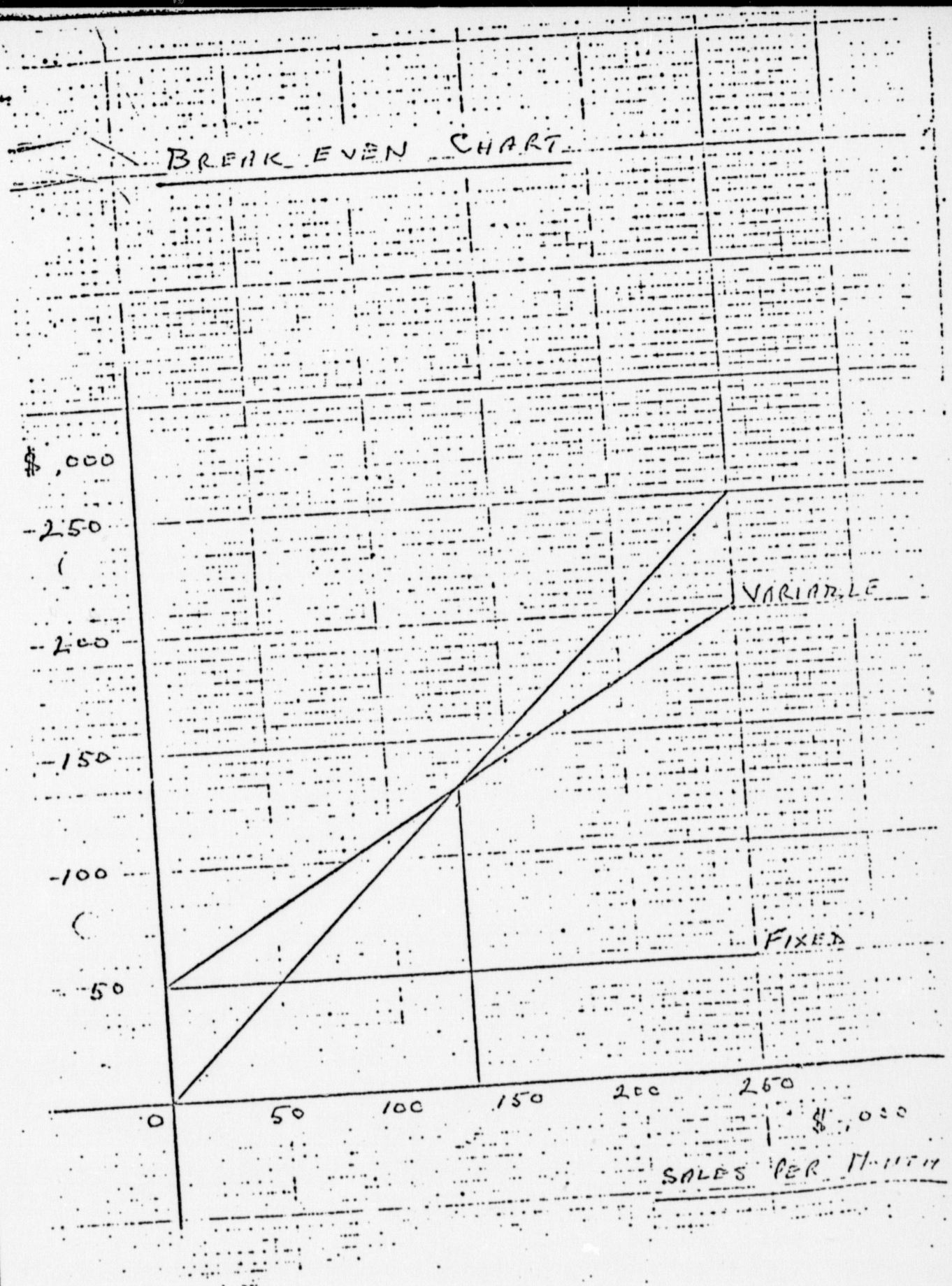
The original budgeted figures for January and February will not be met due to lack of finance resulting in shortage of materials.

Providing additional funds are made available, the situation should rapidly improve.

I.S.L. BUDGET FOR YEAR ENDING 31 DECEMBER 1970

TRADING POSITION

	Jan.	Feb.	Mar.	Apr.	May	June	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1970
Sales	146,923	161,047	195,661	177,341	168,072	247,455	503,631	592,868	684,965	667,490	2,448,9
Less Materials	44,032	48,263	58,638	53,148	50,370	74,159	150,933	177,677	205,276	200,032	733,9
Comm.&Int.on Mat'l.	4,623	5,068	6,157	5,580	5,289	7,787	15,848	18,656	21,554	21,003	77,0
	49,655	53,331	64,795	58,728	55,659	81,946	166,781	196,333	226,830	221,035	810,9
Sales of Labor	98,268	107,716	130,866	118,613	112,413	165,509	336,850	396,535	458,135	446,455	1,637,9
Less Freight	2,217	2,432	2,954	2,678	2,537	3,735	7,603	8,950	10,341	10,076	36,9
Duty	8,140	8,922	10,840	9,825	9,312	13,710	27,902	32,847	37,949	36,962	135,6
Commission	6,512	7,138	8,672	7,860	7,449	10,968	22,322	26,277	30,359	29,585	108,5
Total, Freight, Duty Commission:	16,869	18,492	22,466	20,363	19,298	28,413	57,827	68,074	78,649	76,643	281,1
Net Sales of Labor	81,399	89,224	108,400	98,250	93,115	137,096	279,023	328,461	379,486	369,812	1,356,7
Less Direct Cost	9,082	9,955	12,094	10,962	10,389	15,296	31,131	36,647	42,341	41,261	151,3
Direct Labor	15,228	16,693	20,280	18,381	17,420	25,649	52,201	61,450	70,997	69,185	253,3
Variable Overhead											
Total Direct Cost	24,310	26,648	32,374	29,343	27,809	40,945	83,332	98,097	113,338	110,446	405,3
Marginal Profit	57,089	62,576	76,026	68,907	65,306	96,151	195,691	230,364	266,148	259,366	951,5
Less Fixed Expenses							63,057	63,057	63,057	63,057	252,2
Manufacturing	21,019	21,019	21,019	21,019	20,019	20,019	52,920	52,920	52,920	52,920	211,6
Adm.&Mktg.	17,640	17,640	17,640	17,640	17,640	17,640	31,878	31,878	31,878	31,878	127,5
	10,626	10,026	10,026	10,026	10,626	10,626	955	147,855	147,855	147,855	591
					49,285						


BREAK EVEN CHART
$,000
250
200
150
100
50
0
50
100
150
200
250
$,000
VARIABLE
FIXED
SALES PER MONTH

SALES ORGANISATION

	Company/Address	Territory	Comm. 1969
n Grey	3957 Denley, Apt. 206 Schiller Park, Illinois	Ill., Indiana, Minn. Iowa, Wisc.	$14,000
nce Huntoon	V. J. Huntoon Associates 272 Center Street Newton, Mass 02158	Mass.	2,800
a Jewett & eorge Cooper	Jewett Company 13111 Ventura Blvd. No. Hollywood, California	So. Cal.	4,000
ack Leddy	Leddy Associates 1319 Howard Ave. Burlingame, California	No. Cal., Oregon Wash., Colorado	14,600
nnis Mulcahy	Norvell Associates 6440 Hillcroft Ave. Houston, Texas 77306	Texas, Okla.	360
en Norvell	Norvell Associates 10210 Monroe Dallas, Texas	Texas, Okla.	
ck Swanson	J. A. Swanson Assocs. 132 E. Stetson Drive Scottsdale, Arizona 85252	Phoenix, Arizona	650
ed Greenburg	Travco Associates 142 Mineola Avenue Roslyn Heights, N.Y.	New York, upper New Jersey	340
William Tucker	Tucker Associates 1018 Derywdd Lane Berwyn, Pa. 19312	Anything not covered by any other rep. + Canada	23,000

ACTION TAKEN TO CLEAR OBSTACLES WITH REGARD TO TRANSFER TO PLESSEY

To enable the Agreement (Appendix (i)) to be signed on March 2, 1970, the Export Status afforded I.S.L. has to be transferred.

a). Approved Manufacturer Export Status.

To expedite the transfer of the above from I.S.L. to Plessey Inc., meetings were held with the following:

Prime Minister The Rt. Hon. Errol W. Barrow
Attorney General The Rt. Hon. Frederick Smith
Chairman of the Industrial Development Corporation
Mr. Samuel Ashby
Manager of the Industrial Development Corporation
Mr. Kurleigh King
Solicitor General Mr. Oliver Brown.

Due to existing legislation, it is not possible to transfer directly the rights granted to I.S.L. The only solution other than a special Act of Parliament is for the new I.S.L. to be granted the Export Status as of 1 January 1968. A Letter of Intent (Appendix (ii)) was handed to us by the Prime Minister acting in his capacity as Minister of Finance Thursday, 19 February 1970.

ACTION TAKEN TO CLEAR OBSTACLES WITH REGARD TO TRANSFER TO PLESSEY (Continued)

b). Lease Agreement Covering Land and Buildings at Seawall, also Options on Adjoining Land.

It was agreed during meetings with I.D.C. that providing the new I.S.L. accepted the terms of the Lease (Appendix (iii)) and paid all amounts owing, then all rights under said Lease will be transferred.

MEETING WITH BRITISH HIGH COMMISSIONER,
HIS EXCELLENCY, JOHN BENNET.

18 February, 1970

E. A. Kovar had arranged this introductory meeting and His Excellency raised various points ranging over Labour Availability, Union Status, Transportation of Employees and conditions in general on the Island.

The existing labour force is drawn from Bridgetown and the surrounding locality which is mainly country. Slightly less than half come by public transport from Bridgetown, the remainder live locally. Any future growth will be drawn mainly from the large Bridgetown labour force, for which the somewhat limited public transport would have to be augmented.

Currently, there is no union recognition in the factory but approaches have been made in the past from the one union on the Island. It is expected that unions will eventually have to be recognized.

Messrs. D. G. Clarke
N. J. Crocker

Distribution:
M. W. Clark
W. J. Sinsheimer
G. H. Doust
S. Dubin
M. Albert
N. J. Crocker (2)
D. G. Clarke (2)

THE PLESSEY COMPANY LIMITED

- and -

INTERNATIONAL SCIENTIFIC LTD.

AGREEMENT

SINSHEIMER, SINSHEIMER AND DUSIN

E 226

AGREEMENT dated the 4th day of FEBRUARY, 1970 by and between THE PLESSEY COMPANY LIMITED, a corporation organized and existing under the laws of England (hereinafter referred to as "PLESSEY") and INTERNATIONAL SCIENTIFIC LTD., a corporation organized and existing under the laws of Barbados, West Indies (hereinafter referred to as "ISL").

WHEREAS, ISL desires that all of its properties be sold to PLESSEY on the terms hereinafter set forth; and

WHEREAS, PLESSEY desires to acquire all of the properties of ISL on the terms hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable considerations by each of the parties to the other in hand paid, receipt of which is hereby acknowledged, it is mutually agreed as follows:

1. ISL hereby agrees that, subject to the terms and conditions of this Agreement, ISL will sell, convey, transfer and deliver to PLESSEY, at the closing hereof, all of ISL's then existing assets and business including all of ISL's good will and its right to the use of its name. The assets so to be sold, conveyed, transferred and delivered shall include those owned by ISL on December 31, 1969 balance sheet with only such changes therein as shall have occurred in the ordinary course of ISL's business between December 31, 1969 and the closing, or otherwise as may be consented to or approved by PLESSEY in writing. Without limitation of the fore-

going provisions, the aforesaid sale, conveyance and transfer shall include all of the following, if any; all of ISL's rights and interests in, to and under all patents, patent applications, trademarks, trademark registrations and applications therefor, copyrights, copyright registrations and applications therefor, issued or pending, all trade names, labels and other trade rights, whether or not registered, all inventions, discoveries, improvements, processes, formulae, trade secrets, ideas, and other know-how, whether patentable or not, and all shop rights, licenses and other agreements (including agreements with ISL's employees) relating in whole or in part to any of the foregoing.

2. PLESSEY hereby agrees that, at the closing, subject to the terms and conditions of this Agreement, and in consideration for the aforesaid sale, conveyance, transfer and delivery, PLESSEY will deliver to ISL a check for One Hundred and Eighty Thousand ($180,000.00) U.S.DOLLARS drawn by PLESSEY to ISL; and PLESSEY shall deliver to ISL an undertaking whereby PLESSEY assumes and agrees to pay, perform and discharge all debts, obligations, contracts and liabilities of ISL, whether accrued, absolute, contingent or otherwise but only if such debts, obligations, contracts and liabilities are reflected on the December 31, 1969 balance sheet of ISL, or if they were incurred in the ordinary course of ISL's business between December 31,1969

and closing, provided, however, that PLESSEY shall not assume nor does it agree to pay any obligation evidenced by convertible debentures issued by ISL (other than interest provided therein to the closing hereof) nor any expenses of redemption or premiums which are necessitated by any such redemptions.

3. ISL hereby agrees that, at the closing, it will deliver to PLESSEY such deeds, bills of sale, endorsements, assignments, and other good and sufficient instruments of conveyance and transfer, in form satisfactory to PLESSEY'S counsel, Sinsheimer, Sinsheimer & Dubin, Esqs., as shall be effective to vest in PLESSEY good and marketable title to the assets and business to be sold, conveyed, transferred and delivered hereunder, all as provided in this Agreement, and all of ISL's contracts and commitments, books (except minute and stock books which shall be and remain available at all reasonable times for PLESSEY'S inspection), records and other data relating to its assets, business and operations, including, without limitation all its notebooks and other records relating to inventions, discoveries, improvements, processes, formulae, trade secrets, ideas, or other know-how whether patentable or not, and trademarks, tradenames or copyrights, whether registrable or not; and that, simultaneously with such delivery, all such steps will be taken as may be required to put PLESSEY in actual possession and operating control

of such assets and business. All such records, data and other documents shall remain available at all reasonable times for ISL's inspection.

4. ISL hereby agrees that, from time to time, at PLESSEY'S request and without further consideration, ISL will execute and deliver such other instruments of conveyance and transfer and take such other action as PLESSEY reasonably may require more effectively to convey, transfer to and vest in PLESSEY, and to put PLESSEY in possession of, any property to be sold, conveyed, transferred and delivered hereunder, and, in the case of contracts and rights, if any, which cannot be transferred effectively without the consent of third parties which is obtainable, ISL agrees to use its best efforts to assure to PLESSEY the benefit thereof. Nothing herein to the contrary, it shall be essential to the closing of this Agreement that ISL obtain and deliver to PLESSEY at the time of closing the consent by the Barbados government or its instrumentality to the assignment of ISL's lease to PLESSEY and to the continuation of all of the terms of that lease. It shall also be essential that ISL deliver at closing the consent by Granite Leasing Corp., or its appropriate affiliate, to the assignment of ISL's equipment leases to PLESSEY, an acknowledgment of PLESSEY'S right to obtain title to all of the equipment heretofore leased to ISL by Granite Leasing Corp. or its affiliate upon the

compliance by PLESSEY of all of the terms of the lease remaining to be performed, and an estoppel letter from Granite to the effect that all of the lessee's obligations to the date of closing have been performed.

5. Paragraph 6 hereof provides that ISL will be entitled to certain additional money depending upon the amount of profits derived from the assets being acquired hereby during the year commencing on the first day of the first calendar month after closing (hereinafter called "the measuring year"). In order to allow those assets to generate profits during the measuring year, PLESSEY hereby agrees that for that period it will:

a. Make available to the business within one week after closing funds totalling not less than Six Hundred Thousand ($600,000.00) U.S.Dollars;

b. Continue ISL'S business in good faith, itself or through a subsidiary,

c. Continue all agreements between ISL and sales representatives in the United States for the measuring year except for those agreements which are terminated for cause, and

d. The present management of ISL shall operate the business during the measuring year and shall have the maximum freedom to operate the business in a manner which will produce, in the judgment of such management, the maximum profit available provided, however, that any policy

directive issued by the directors of PLESSEY shall be complied with. Should PLESSEY propose any course of action which would be detrimental to attaining $360,000 profits during the measuring year ISL management shall have the option of requiring prior to commencement of such course of action that the net additional expenditure of ISL in pursuing such course over and above what it would have incurred if it had not pursued such course be excluded in determining profits. Notwithstanding the foregoing, if ISL profits commencing with the third calendar month of the measuring year average at least Fifteen Thousand ($15,000) U.S.Dollars per month and if there have not been three consecutive months of losses during that measuring year (excluding the first two months thereof), this subparagraph shall no longer apply and PLESSEY shall have the right to assume full management responsibilities. In such event, however, PLESSEY shall be obligated to continue the business of ISL during the measuring year in good faith.

Should the ISL management and PLESSEY disagree whether any course of action be detrimental to attaining $360,000 profits during the measuring year and should the ISL management so notify PLESSEY prior to the commencement of that course of action, the course of action shall nevertheless be followed and the question as to whether it is or has been detrimental to attaining $360,000 profits during the measuring year shall be arbitrated by a national American

accounting firm acceptable both to ISL management and PLESSEY whose determination shall be final and binding. The expenses of the arbitration shall be paid as follows:

a) if the arbitrator determines that all of the proposed course of action was or would be detrimental to attaining $360,000 profits during the measuring year, the entire expense of the arbitration shall be borne by PLESSEY;

b) if the arbitrator determines that none or only some of the proposed course of action was or would be detrimental to attaining $360,000 profits during the measuring year, the expense of the arbitration shall be borne as follows:

i) if the profits during the measuring year, adjusted as may be required by reason of the arbitrator's determination, exceed $360,000, the excess over $360,000 shall be multiplied by four and if the product thereof is sufficient to cover all arbitration expenses all such expenses shall be paid by PLESSEY;

ii) if the profits during the measuring year, adjusted as may be required by reason of the arbitrator's determination, are less than $360,000, the expenses of arbitration shall be borne equally by PLESSEY and ISL. (Should PLESSEY advance any sums which should have been paid by ISL, PLESSEY may deduct a like amount from additional moneys earned by ISL according to Paragraph 6);

iii) if the profits during the measuring year, adjusted as may be required by reason of the arbitrator's determination, exceed $360,000 but not by a sufficient amount, as computed under subparagraph 5(b)(i), to cover all of the

expenses of arbitration, subparagraph 5(b)(i) shall be applied to the extent possible and subparagraph 5(b)(ii) shall apply to the balance of the expenses.

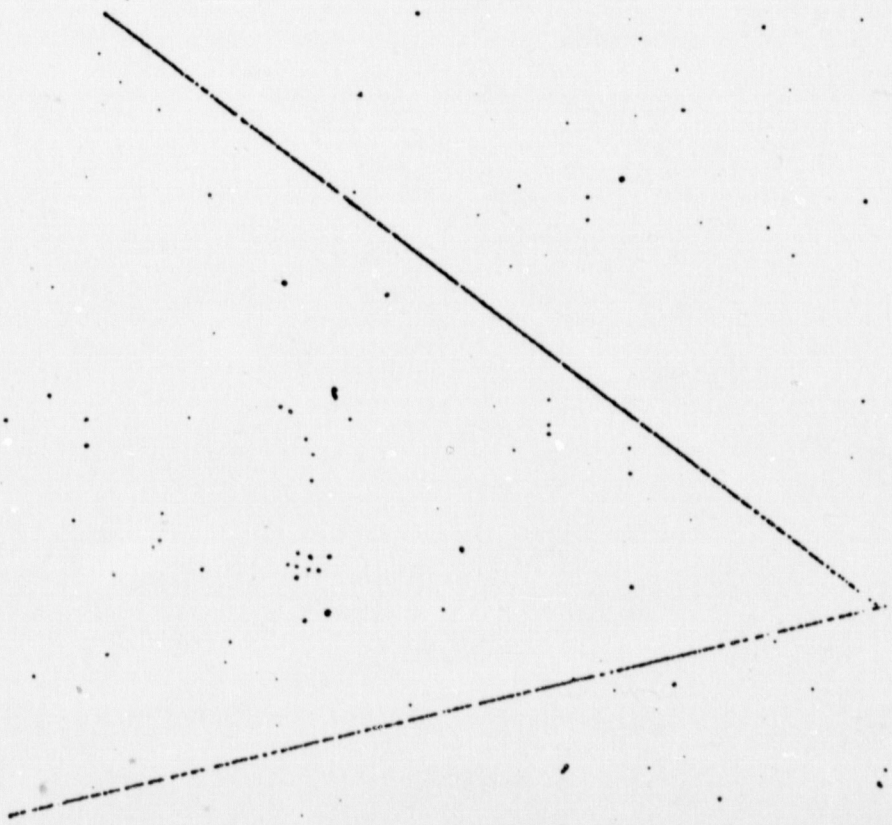
6. If during the measuring year the profits (as defined below) derived from the assets being acquired total Three Hundred and Sixty Thousand ($360,000.00) U.S.Dollars, or more, PLESSEY shall deliver to ISL not later than ninety (90) days thereafter a check in the amount of One Million Two Hundred and Sixty Thousand ($1,260,000.00) U.S.Dollars drawn to ISL. Should the profits be less than Three Hundred and Sixty Thousand ($360,000.00)U.S.Dollars during that period, PLESSEY shall deliver to ISL not later than ninety (90) days thereafter a check drawn to ISL,in an amount which bears the same ratio to One Million Two Hundred and Sixty Thousand ($1,260,000.00)U.S.Dollars that the amount of profits for the measuring year bears to Three Hundred and Sixty Thousand ($360,000.00)Dollars. If no additional money is payable or if the business shall be unprofitable ISL shall nevertheless be entitled to retain the One Hundred and Eighty Thousand ($180,000.00)U.S.Dollars paid to it at closing.

"Profit" as used in this paragraph 6 and in paragraph 5 is intended to and shall include only income or losses (before any taxes measured by income) actually generated by deployment of the assets of ISL such deployment being principally in the manufacture and sale of memory

planes and memory stacks, cable harnesses and other electrical assemblies, and shall not include income or losses resulting from changes in accounting methods, practices or procedures. Accordingly, profits shall be computed in accordance with generally accepted accounting principles applied consistently with those applied by ISL in the past except that:

A) There shall be no write down or charges to profits resulting from facts established to have occurred during years prior to the measuring year;

B) No charge shall be made to profit for any expense of PLESSEY such as managerial services or



additional or new accounting systems or any other services furnished or proposed to be furnished to ISL by PLESSEY which would not have been sustained by ISL had ISL continued the business during the measuring year unless ISL management agrees that any such charge for services shall be made to ISL;

C) Depreciation shall be charged on the same basis as charged heretofore by ISL utilizing the same useful lives and rates;

D) The cost of all research and development, training and engineering instituted by ISL management during the measuring year will be charged against profit as such costs are incurred;

E) Any sale generated by PLESSEY or made by ISL to PLESSEY shall be at the same prices charged by ISL to other customers except there shall be deducted 8% of Barbados f.o.b. prices for all sales generated by or made to PLESSEY for which no commission is to be paid to a salesrepresentative;

F) No charge shall be made against gross income for the cost of the funds made available to the business under the Paragraph 5(a) hereof;

G) As a general guide items of the nature shown as cost of doing business on the ISL proforma income statement which is attached hereto as Exhibit shall be considered proper charges against income for purposes of this Paragraph 6.

7. The closing of this transaction shall take place at a location in Bridgetown, Barbados, W.I., to be selected by PLESSEY at 10 A.m. on March 2 1970. Either party, however, may by written notice to the other received not later than ten (10) days before that date postpone the closing to a date not beyond fourteen (14) days after the closing date fixed by this paragraph and PLESSEY may extend the closing to a date thirty (30) days after the closing date fixed by this agreement if the Bank of England approval has not as yet been received in accordance with Paragraph 19 hereof. If closing is not consummated because approval by the Bank of England has not been received within the period herein described, this Agreement shall terminate without liability of any kind on the part of either ISL or PLESSEY.

8. ISL hereby agrees that it will duly convene a meeting of the holders of its common stock to be held prior to the date of closing for the purpose of voting upon the sale of its assets in accordance with this Agreement and in order to change its name.

9. PLESSEY hereby agrees that it will take all such actions prior to the date of closing as may be required in order to acquire the assets of ISL on the terms provided in this Agreement.

10. ISL represents and warrants:

a. That ISL is a corporation duly organized, validly existing and in good standing under the laws of Barbados, W.I., and that it has corporate power to carry on its business as it is now conducted.

b. That the execution, delivery and performance of this Agreement by ISL, including, without limitation, the sale, conveyance, transfer and delivery contemplated hereby have been duly and effectively authorized by ISL's Board of Directors, subject to approval by its stockholders as required by law.

c. ISL has delivered to PLESSEY copies of the following financial statements, all of which are true and complete and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods indicated:

(i) ISL's balance sheet as of December 31, 1968, certified by Price Waterhouse & Co. including the notes thereto, which balance sheet presents a true and complete statement as of its date of the financial condition and assets and liabilities of ISL;

(ii) The balance sheet of ISL as of December 31, 1969, attested to by

of a nature customarily reflected in a corporate balance sheet prepared in accordance with generally accepted accounting principles, including, without limitation, any tax liabilities due or to become due and whether

(i) Incurred in respect of or measured by ISL's income for any period prior to the close of business on December 31, 1969, or

(ii) Arising out of transactions entered into, or any state of facts existing, prior thereto.

e. Since December 31,1969, there has not been:

(i) Any change in ISL's financial condition, assets, liabilities or business, other than changes in the ordinary course of business, the sale of the property which has been the residence of E.Allan Kovar, and the writing off of approximately Twenty Thousand ($20,000.00) U.S.Dollars of testing equipment. Operating losses not at a rate in excess of Twenty Thousand ($20,000.00)U.S.Dollars per month for the period from December 31,1969 to the closing hereof shall not constitute an out of the ordinary change of ISL's condition;

(ii) Any declaration, setting aside or payment of any dividend or other distribution in respect of

ISL's capital stock;

(iii) Any increase in the compensation payable or to become payable by ISL to any of its officers or agents, any wage increases for employees who are considered direct labor, other than normal wage raises, or any increases of compensation payable or to become payable to other employees taken as a group in excess of Ten Thousand ($10,000.00) U.S.Dollars taken on an annual rate.

(iv) Any significant labor trouble or any other event or condition of any character which has materially and adversely affected ISL's business.

f. The accounts receivable shown on ISL's balance sheet of December 31, 1969, are, in the reasonable judgment of ISL, collectible in the aggregate amount shown on that balance sheet, less a reserve of $15,000.00.

g. The inventories of ISL shown on its balance sheet of December 31, 1969 or thereafter acquired by ISL prior to the date of this Agreement, consist of items of a quality and quantity useable in the normal course of ISL's business; the value of obsolete materials or of materials

below standard quality has been written down to realizable market value and the values at which such inventories are carried reflect ISL's normal inventory valuation policy of stating the inventory at cost, not in excess of market, all in accordance with generally accepted accounting principles.

h. ISL has good and marketable title to all of its assets free and clear of all liens and encumbrances except liens and encumbrances resulting from a lending agreement between ISL and the Canadian Imperial Bank, a copy of which is attached hereto as Exhibit . ISL has not received notice of violation of any applicable zoning regulation, ordinance or other law, order, regulation or requirement relating to its operations or to its owned or leased properties.

i. ISL will deliver to PLESSEY, at least fourteen (14) days before the date scheduled herein for closing, accurate lists and summary descriptions, certified by ISL to be correct to the best of its knowledge and belief, of the following:

(i) All real property owned of record or beneficially by ISL and a brief description of the principal buildings and structures located thereon, and all leases of real property to which ISL is a party;

(ii) A copy of the Notification of Approved Export Status issued to ISL by the Government of Barbados, W.I., or

its instrumentality.

(iii) Inventories of finished products and goods in process, materials, supplies, machinery and equipment, as recorded in ISL's books of account and reflected in its balance sheet of December 31, 1969.

(iv) If any, all United States and foreign patents, trademark and trade name registrations, copyrights and copyright registrations which will not have expired on the date of closing, all United States and foreign applications now pending for patents, trademarks or trade name registrations or copyright registrations.

(v) If any, all licenses granted by or to ISL and all other agreements to which ISL is a party which may be in force as of the closing hereof and which relate in whole or in part to any items of the categories mentioned in the subparagraph immediately above or to inventions, discoveries, improvements, processes, formulae, trade secrets, ideas or other know-how, or labels, whether

owned by ISL or otherwise;

(vi) All automobiles and trucks owned or leased (whether by written or oral agreements) by ISL;

(vii) All insurance policies in force with respect to ISL covering all of its assets and operations;

(viii) All existing contracts and commitments of ISL involving payment by ISL of more than $1,000.00 or extending beyond May 31, 1970, or otherwise materially affecting ISL's business, including all contracts made with sales representatives. Except as shown on this list, ISL is not in default under any such contract or commitment;

(ix) The names and current annual salary rates of all of ISL's officers and employees whose current annual salary rate is $10,000.00 or more, together with a copy of any salary plan or plan of fringe benefits paid or payable to such persons, and

(x) The name of each bank in which ISL has an account and the names of all persons authorized to draw thereon.

True and complete copies of all contracts, commitments or other agreements referred to above shall be delivered by ISL to Sinsheimer, Sinsheimer and Dubin, Esqs., 660 Madison Avenue, New York, New York, not later than fourteen (14) days prior to closing.

j. So far as is known to ISL, there is no litigation, proceeding or government investigation pending, threatened or otherwise relating to ISL or to its assets or business or to the transaction contemplated by this Agreement, nor is there any basis known to ISL for any such action other than a suit for wrongful discharge where the maximum exposure of ISL and the maximum exposure assumed by PLESSEY is one month salary of the plaintiff. ISL has made known to PLESSEY that it may pursue a purported cause of action against Data 100 Inc. which cause of action shall not be considered an asset of ISL for purposes of this Agreement.

k. All negotiations relative to this Agreement and the transaction contemplated hereby have been carried on by ISL directly with PLESSEY, without the intervention of any person as the result of any act of ISL (and, so far as known to ISL, without the intervention of any other person) in such manner as to give rise to any valid claim against either of the parties hereto for a brokerage commission or any like payment.

11. PLESSEY hereby represents and warrants that it is a corporation duly organized and existing and in good standing under the laws of England. PLESSEY further represents and warrants that the negotiations relative to

this Agreement and the transactions contemplated hereby have been carried on by PLESSEY directly with ISL, without the intervention of any persons as the result of any act of PLESSEY (and, so far as known to PLESSEY, without the intervention of any other person) in such manner as to give rise to any valid claim against either of the parties hereto for a brokerage commission or any like payment.

12. ISL hereby agrees that, pending the closing and except as consented to by PLESSEY in writing:

a. ISL's business shall be conducted only in the ordinary course which shall not include the making of any commitment, other than normal sale and purchase commitments, extending beyond the date of closing other than with PLESSEY's written consent;

b. No dividend or other distribution or payment shall be made or paid in respect of its capital stock;

c. No increase shall be made in the compensation payable or to become payable by ISL to any officer or agent, to any employees who are considered direct labor other than normal wage raises or to any other employees, taken as a group, in excess of Ten Thousand ($10,000.00) U.S.Dollars taken on an annual basis.

d. ISL shall not increase its borrowings as shown on its December 31, 1969 balance sheet;

e. No change shall be made in the banking arrangements reflected in Paragraph 10 (i)(x) hereof;

f. ISL will use its best efforts to preserve its business organization, to keep available to PLESSEY the services of ISL's officers and employees and to preserve for PLESSEY the good will of ISL's suppliers, customers and others having business relations with it; and

g. ISL will duly comply with all laws applicable to it and to the conduct of its business.

13. All of PLESSEY's obligations under this Agreement are subject to the fulfillment, prior to or at closing, of each of the following conditions:

a. PLESSEY shall not have discovered any material error, mis-statement or omission in any of the representations and warranties made by ISL;

b. ISL's representations and warranties contained in this Agreement shall be deemed to have been made again as of the time of the closing and shall then be true in all material respects and ISL shall have performed and complied with all agreements required by this Agreement to be performed or complied with no later than closing;

c. The sale and transfer of its assets, business and good will and its change of name, as provided in this Agreement, shall have been approved by the holders of at least that percentage of ISL's outstanding stock as may be required under the laws of Barbados, W.I.;

d. PLESSEY shall have been furnished with

an opinion dated the closing date of counsel for ISL, Sonnenschein, Levinson, Carlin, Nath & Rosenthal, to the effect that:

(i) ISL is a corporation duly organized, validly existing and in good standing under the laws of Barbados, W.I.;

(ii) The execution, delivery and performance of this Agreement by ISL have been duly authorized and approved by all requisite action of ISL's Board of Directors and stockholders and that this Agreement has been duly executed and delivered by ISL and constitutes the valid and binding obligation of ISL in accordance with its terms;

(iii) Except as may be specified by such counsel, that they do not know of any litigation, proceeding or governmental investigation pending or threatened against or relating to ISL, its properties or business, or the transaction contemplated by this Agreement, or of any legal impediment

to the operation by PLESSEY of ISL's properties and business in the ordinary course.

e. PLESSEY shall have been furnished with evidence in form and substance satisfactory to PLESSEY to the effect that at the time of closing ISL had good and marketable title to the properties reflected on its balance sheet as of December 31, 1969, free and clear of all liens and encumbrances subject only to the exception mentioned in paragraph 10 above pertaining to a bank lending agreement and to any equipment leases where the covered equipment has been accounted on the ISL balance sheets as assets of ISL, and that the instruments of conveyance and transfer executed and delivered by ISL at the closing are valid in accordance with their terms and effectively vested in PLESSEY good and marketable title, subject only to the aforementioned exception, to all of the property of ISL and its business and good will as contemplated by this Agreement.

f. PLESSEY shall have received an opinion dated the closing of its counsel, J.I. NICHOLS & CO., to the effect that all of the instruments of conveyance and transfer being delivered by ISL to PLESSEY are satisfactory to them.

14. All of the obligations of ISL under this Agreement are subject to the fulfillment no later than closing of each of the following conditions:

a. ISL shall not have discovered any material error, mis-statement or omission in the representations and warranties made herein by PLESSEY.

b. PLESSEY'S representations and warranties contained in this Agreement shall be deemed to have been made again as at the time of closing and shall be true in all material respects and PLESSEY shall have complied with all agreements and conditions required by this Agreement to have been performed or complied with no later than closing.

c. PLESSEY shall have delivered to ISL an opinion dated the closing date of PLESSEY'S counsel, Herbert Oppenheimer, Nathan & Vandyk, to the effect that:

(i) PLESSEY is a corporation duly organized and existing and is in good standing under the laws of England;

(ii) The execution, delivery and performance of this Agreement by PLESSEY have been duly authorized and this Agreement has been duly executed and delivered by PLESSEY and constitutes the valid and binding obligation of PLESSEY in accordance with its terms;

(iii) The undertaking provided for in Paragraph 2 hereof has been duly executed and delivered and is binding and effective according to its terms.

15. Should PLESSEY notify ISL at least fourteen (14) days prior to the closing hereof that it elects to have ISL comply with or join with PLESSEY in complying with any bulk sale procedures it considers applicable hereto, ISL shall take all steps appropriate thereto.

16. PLESSEY may assign this Agreement to a subsidiary corporation, in which event PLESSEY'S sole obligations hereunder shall be to make available to its subsidiary sufficient money as may be required to be paid to ISL under the terms of this Agreement, to make available as provided above the sum of Six Hundred Thousand ($600,000.00) Dollars for the operation of the business during the measuring year and to deliver its undertaking as provided in Paragraph 2 hereof.

17. Should any representations or warranties by ISL prove to be inaccurate or untrue, PLESSEY may, in addition to any other remedies available to it, diminish any further payments to ISL by an amount sufficient to cover the damage sustained by reason of the misrepresentation or breach of warranty.

18. It is expressly understood by ISL that this Agreement is subject to the approval of the Bank of England. PLESSEY shall use all reasonable efforts to obtain such approval.

19. This agreement shall be interpreted under and governed by the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day first above written.

THE PLESSEY COMPANY LIMITED

By _____

INTERNATIONAL SCIENTIFIC LTD.

By _____

PRIME MINISTER'S OFFICE,

BARBADOS.

19th February, 1970.

Gentlemen,

I have reviewed your letter of 17th February, 1970, which sets forth the basic outline of your proposed acquisition and continuance of the operations of International Scientific Limited.

2. Under Section 8 of the Industrial Development (Export Industries) Act, 1969-43, as Minister of Finance, I have the absolute discretion to grant approval in respect of a company as an approved export producer (provided such company is not approved as a Pioneer Industry). And, under Section 29 of that Act, I have the authority to revoke such approval.

3. Under such authority, I shall revoke the Approved Export Status of the corporation now known as International Scientific Limited and, concurrently therewith, shall grant approval to the new corporation which shall be known as International Scientific Limited. Such revocation and grant shall take place on 3rd March, 1970. The approval of the new International Scientific Limited shall stipulate, as provided in Section 4 (2) of the noted Act, that the production date of the new corporation shall be 1st January, 1968.

Very truly yours,

(ERROL W. BARROW)
Minister of Finance.

Plessey Incorporated,
C/o P.O. Box 625,
Bridgetown.

BARBADOS

THIS LEASE made the day of 1968

BETWEEN BARBADOS DEVELOPMENT BOARD a Corporation incorporated by an Act of the Legislature of this Island and having its Office at Treasury Building, Bridge Street in the City of Bridgetown in this Island (hereinafter called "the Corporation" - which expression shall where the contex so admits include its successors and assigns) of the ONE PART and INTERNATIONAL SCIENTIFIC LIMITED a Company incorporated and registered in this Island and having its Registered Office at in the parish of in this Island (hereinafter called "the Company" - which expression shall where the context so admits include its successors and assigns) of the OTHER PART:

WITNESSETH as follows:-

1. In consideration of the rent hereinafter reserved and of the covenants on the part of the Company hereinafter contained the Corporation hereby DEMISES unto the Company ALL THAT piece or parcel of land (forming part of a larger area of land containing Eleven Acres One Rood Five and twenty-five thousandths Perches or thereabouts which the Corporation has leased from The Crown in Right of its Government of this Island under and by virtue of the Indenture of Lease dated the 20th day of April 1967 and recorded in the Registration Office in Volume 975 of Deeds at Folio 552) situated at Seawell in the parish of Christ Church in this Island and containing One hundred and forty-five thousand six hundred and ninety-five square feet or thereabouts and

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delineated and shown on the plan thereof certified by David A.P. Trotman Land Surveyor on the 4th May 1967 and annexed hereto together with all and singular the buildings and erections whether freehold or chattel thereon erected and built standing and being with the appurtenances TOGETHER ALSO with full right liberty and licence in common with the Corporation its tenants agents and servants and all other authorised by it or them to go return pass and repass over and along the several roads at present existin or henceforth to be made forming part of the said larger area of land at all times and for all purposes connected with the use and enjoyment of the said parcel of land and the buildings thereon and for those purposes to connect wit the mains of any public utility or other service extending along and under any of the said several roads on which the demised premises abut provided however that any such connection shall be made only in accordance with the requirements of the Town and Country Planning Officer and that the Company shall make good all damage caused to the said roads by the exercise of such right with as little delay as possible EXCEPT AND RESERVING unto the Corporation and persons claiming through or under it.

(a) the right of uninterrupted passage and running of water soil and other effluent from the adjoining and neighbouring lands and the buildings of the Corporation and persons claiming through or under it now or hereafter to be erected thereon through the sewers drains pipes conduits and channels in or under the demised premises and

to make connections with such sewers drains pipes conduits and channels or any of them for the purpose of exercising the said right of uninterrupted passage of water soil and other effluent;

(b) the right to enter upon the demised premises at reasonable times on written notice to the Company for the purpose of making such connections as aforesaid; and

(c) the right for all purposes connected with the use and enjoyment of adjoining or neighbouring lands to break up and lay under any kerbs or verges forming part of any roads adjacent to the lands hereby demised and of such lands the pipes cables conduits or wires of any gas water telephone or electricity service or any other undertaking of public utility and at all times to repair or replace any such pipes cables conduits or wires but so that no unnecessary obstruction be caused thereby;

SUBJECT to any damage occasioned to the demised premises by the exercise of any of the aforesaid rights being made good by the Corporation or persons claiming through or under it as soon as is reasonably practicable to the reasonable satisfaction of the Company PROVIDED ALWAYS that the Company shall not be entitled to any right of access of light or air to the demised premises which would restrict or interfere with the user of any adjoining or neighbouring land for building or any other purpose and FURTHER that no estate or interest in the soil of the carriage ways or footpaths forming part of any roads adjacent to the demised premises is or shall be deemed to be included in the demise hereinbefore contained TO HOLD the said lands and premises

(hereinafter called "the demised premises") unto the Company from the first day of October 1967 for a period of twenty-five years and PAYING therefor unto the Corporation during the said term the yearly rent of $45,516.00 (which rent in accordance with the provisions of the Agreement for this Lease is apportioned as to $5,099.32 thereof to the land hereby demised as to $28,644.00 to the buildings hereby demised and as to $11,772.68 to the air conditioning and ventillating system installed in the said buildings) by equal quarterly payments in advance without any deduction of abatement whatsoever provided however that the sum of Twenty-one thousand three hundred and thirty-three dollars paid by the Company to the Corporation on the execution of the Agreement for this Lease shall be deemed to have been paid on account of the first year's rent hereunder.

2. The Company hereby covenants with the Corporation as follows:-

(1) To pay the rent reserved on the days and in the manner aforesaid.

(2) To pay all existing and future public utility charges water and other rates taxes assessments and outgoings of whatever nature and howsoever imposed or charged upon the demised premises or any part thereof or on the Corporation or Company respectively in respect thereof.

(3) Throughout the term hereby granted.

(a) To repair and to keep the demised premises and every part thereof and all and singular the buildings and erection which at any time during the said term may be

upon any part of the demised premises in good and tenantable repair and condition and without prejudice to the generality of the foregoing:-

(i) To keep the air conditioning and ventillating system in good working order repair and condition and from time to time to replace renew and reinstate to the reasonable satisfaction of the Corporation any part or parts thereof which may be broken lost defective worn out or unfit for use; and for the proper performance of this covenant to enter into and maintain a service contract in that behalf with the person responsible for the installation of the said air conditioning and ventillating system or with some other person to be agreed upon between the Corporation and the Company;

(ii) To keep all roofs and gutters of the demised premises free from leaves and dirt;

(iii) To keep all drains sinks and sewerage pipes upon the demised premises and which are used only by and for the purposes of the Company its servants agents and licensees in a clean and sanitary condition; and

(iv) To keep the grounds gardens and trees upon the demised premises well tended and generally in a clean and tidy condition and to preserve and maintain any landscaping work upon the demised premises (now or hereafter carried out by the Corporation or by the Company) in proper condition.

(j) To paint in a good and workmanlike manner and so far as affects the exterior in colours and tints and with materials approved by the Corporation all the wood iron and other parts of the said buildings as to the external work

in at least every fourth year and as to the internal work in at least every seventh year of the said term and in each case the painting to be done in the last year of the term as well and after every internal painting to grain varnish distemper wash stop whiten and colour all parts as are usually so dealt with.

(5) Without prejudice to the provisions of Sub-Clause (3) hereof in the event of the repair or maintenance of any party walls fences sewers drains water pipes channels cables conduits or wires or any thing used in connection therewith or other rights used or to be used in common by the occupier of the demised premises and the occupiers of any adjoining or neighbouring premises being carried out by the Corporation or the said occupiers of any adjoining or neighbouring premises to pay a reasonable proportion of the expenses of such repair and maintenance such proportion in the case of dispute or difference to be conclusively determined by the Corporation.

(6) To permit the Corporation its officers technical advisers servants and agents with or without workmen and others at all reasonable times upon giving at least forty-eight hours' notice in writing of its intention so to do to enter upon and to examine the condition of the demised premises and to take inventories of the landlord's fixtures and fittings therein and thereupon the Corporation may serve upon the Company notice in writing specifying any repairs necessary to be done and require the Company forthwith to execute the same and if the Company shall not within twenty-eight days after service of such notice proceed

diligently with the execution of such repairs then to permit the Corporation to enter upon the demised premises and execute such repairs and the cost thereof shall be debt due from the Company to the Corporation and be forthwith recoverable by action.

(7) To permit the Corporation its officers technical advisers and agents or any adjoining owner or occupier with or without workmen and others at reasonable times on written notice to the Company to enter upon the demised premises to carry out repairs or other work to adjoining property subject to any damage being made good by the Corporation or such adjoining owner or occupier as soon as is reasonably practicable to the reasonable satisfaction of the Company.

(8) Not to make any structural alterations or additions to the demised premises without the approval in writing of the Corporation to the plans and specifications thereof (such approval not to be unreasonably withheld) and to make all such alterations in conformity with such plans and specifications and in particular not to make any alteration in or addition to the drainage arrangements or to use the drainage system for purposes other than those for which it is designed and as may be approved by the Corporation.

(9) Not to do or permit or suffer to be done anything in or upon the demised premises or any part thereof which may be or become a breach of any law or regulations from time to time applicable to the demised premises or a nuisance annoyance or cause damage to the Corporation or the tenants of the Corporation or the neighbourhood or to do anything whereby any insurance may become void or voidable or whereby

an increased premium or premiums become payable in respect thereof or whereby the Corporation shall be unable to effect such insurance or procure a renewal thereof.

(10) The Company shall take all such steps as are practicable to prevent the emission of smoke effluvia vapour and grit from any apparatus on or in the demised premises and shall not install or alter any fuel burning apparatus except with the written permission and to the reasonable satisfaction of the Corporation.

(11) To use the demised premises for the purposes only of a factory and offices in connection with the trade or business of a company engaging in the production of electronic computer equipment in all aspects of such trade or business or for such other manufacturing trade or business as the Corporation may lawfully permit (which permission shall not be unreasonably refused) which user shall not be held by the Corporation and/or its tenants and/or all persons claiming under it to be a nuisance so long as it is operated in a normal proper and efficient manner. Provided that such user shall be conducted in such a manner so that there shall be no breach of Sub-Clauses (9) and (10) hereof and not to exhibit externally any placard advertisements notices or signs other than those approved by the Corporation (which approval shall not be unreasonably withheld).

(12) During the said term of this demise (a) to continue to use the demised premises and any buildings thereon for the purposes mentioned in Sub-Clause (11) above and (b) to permit the Corporation its officers technical advisers and agents at all reasonable times to enter upon and to

examine the operations from time to time carried out by the Company on the demised premises and in any buildings thereon.

(13) To remove or provide for the removal of waste inflammable material trade effluent and other refuse from the demised premises as soon as practicable and in every case in such manner as shall be approved by the Corporation and be in accordance with the requirement of the Town and Country Planning Officer or other competent authority and so that there shall not at any time be any accumulation of such waste inflammable material trade effluent and other refuse.

(14) Not to sell or dispose of any earth clays gravel stone or sand from the said land or permit or suffer any of the same to be used sold or disposed of.

(15) Not to assign underlet or part with the possession of the demised premises or any part thereof without the prior consents in writing of the Corporation and of the Crown in Right of its Government of this Island (lessor as is hereinbefore mentioned) first had and obtained and under no circumstances shall it be implied that the consents required by this sub-clause or either of them will be or will be liable to be forthcoming.

(16) Within one month of every assignment assent transfer or underlease of or relating to the demised premises or any part thereof to produce to the Corporation such assignment transfer or underlease or in the case of a devolution of the interest of the Company not perfected by an assent within twelve months of the happening thereof to

produce to the Corporation the probate of the Will or the letters of administration under which such devolution arises.

(17) To permit the Corporation during the six months immediately preceding the determination of this demise to affix and retain without interference upon any part of the demised premises a notice for roletting or selling the same and during the said six months to permit all persons with written authority from the Corporation or its officers or agents at reasonable times of the day to view the demised premises.

(18) To cleanse the demised premises to the reasonable satisfaction of the Corporation immediately prior to giving up possession thereof in accordance with the terms herein contained and to leave the same in a clean and tidy condition.

(19) At the end or sooner determination of the said term hereby granted to yield up the demised premises and all additions thereto and all the landlord's fixtures and fittings therein which are more particularly specified in the Schedule hereto in good and tenantable repair and condition in accordance with the Company's covenants herein contained and to remove all tenant's fixtures and fittings forthwith reinstating the demised premises to the reasonable satisfaction of the Corporation.

3. The Corporation hereby covenants with the Company:-

(1) To pay the rent reserved by and to perform and observe the covenants stipulations and conditions contained in the abovementioned Lease which The Crown in Right of the Government of this Island has granted to the Corporation in so far as the same ought to be performed and observed by the Corporation (as lessee as therein appears) and at the payment

and cost of the Company to produce to the Company the said Lease.

(2) That the Company paying the rents hereinbefore reserved and observing and performing the covenants conditions and agreements on the part of the Company herein contained shall peaceably hold and enjoy the demised premises for the term hereby granted without any interruption by the Corporation or any person lawfully claiming under or in trust for it.

(3) At all times during this demise to keep the roads forming part of the said larger area of land in good and proper repair and properly surfaced and drained and cleaned and any grass verges thereof properly tended.

4. (a) The buildings gates walls and fences which from time to time comprise the demised premises (hereinafter in this clause at times referred to as "the insurable premises") shall be insured and kept insured at all times throughout the term hereby created by the Company in the joint names of the Corporation and the Company against loss or damage by fire (however caused) water, lightning, thunderbolt, explosion storm, tempest, hurricane, earthquake, flood, aircraft and things falling therefrom, riot, civil commotion, malicious damage and impact, in an insurance office to be approved of by the Corporation to the full insurable value from time to time thereof and all premiums necessary for keeping on foot such insurance shall be payable by the Company and the Company shall deliver to the Corporation all insurance Policies and the receipts for the premiums thereon immediately the said Policies are effected or the said premiums paid.

(b) Should the Company at any time fail to keep the

insurable premises insured as aforesaid and/or to produce the receipt for any such payments of premiums as aforesaid the Corporation may do all things necessary to effect or maintain such insurance and all moneys expended by it for that purpose shall be repayable by the Company on demand with interest thereon at the rate of eight per cent per annum.

(c) In the event of any of the insurable premises or any parts thereof being destroyed or damaged through any of the causes insured against the Corporation shall forthwith rebuild replace and re-instate the same to the satisfaction of the Company and in the case of any of the buildings according to the original elevations plans sections and specifications thereof or in such other manner as shall be agreed in writing between the Corporation and the Company and all moneys recovered under or by virtue of such insurance as aforesaid shall be applied in so far as the same shall extend in so rebuilding replacing or reinstating the insurable premises or such of them as shall have been damaged as aforesaid and the Company shall do and perform or cause to be done and performed all acts deeds and things necessary for ienabling the Corporation to proceed with such rebuilding replacing and reinstating aforesaid and for the recovery of the insurable moneys aforesaid. Provided However and it is hereby agreed and declared that in case the moneys recovered as aforesaid shall be insufficient for the purposes aforesaid then any deficiency shall be made up between the Corporation and the Company in equal shares out of their own moneys.

(d) If the insurable premises shall be destroyed or damaged through any of the causes insured against so as to

render it necessary to suspend the business being carried on in the said insurable premises by the Company for a period of more than thirty days the rent hereby reserved shall be suspended until the damaged property shall have been so far repaired as to enable the same to be re-opened for the purposes of the Company's business.

5. PROVIDED ALWAYS and it is hereby agreed as follows:-

(1) That if the said rent hereby reserved or any part thereof shall be unpaid for twenty-one days after becoming payable (whether the same shall have been formally demanded or not) or if the Company shall be wound up either voluntar (save for the purpose of amalgamation or reconstruction) or compulsorily or in the case of the Company or any assign thereof not being a Corporation if the Company or such assig shall become bankrupt or make any assignment for the benefit of or enter into any arrangement with his creditors either by composition or otherwise or the Company shall suffer any distress or process of execution to be levied on its goods or if any covenant on the Company's part herein contained shall not be performed or observed then and in any of the said cases it shall be lawful for the Corporation at any time thereafter to re-enter upon the demised premises or any part thereof in the name of the whole and thereupon this demise shall absolutely determine but without prejudice to the right of action of the Corporation in respect of any antecedent arrears of rent or breach of covenant.

(2) (a) That there shall be an option in favour of the Company exercisable at any time before the expiration of the tenth year after the commencement of this Lease to

purchase all and singular the buildings and erections whether freehold or chattel comprised in this demise for a sum to be arrived at as follows:-

aggregate:-

(i) the original cost of the aforesaid buildings foundations and layout and any supplementary costs, and

(ii) the original cost to the Corporation of the aforesaid air-conditioning and ventillating system. and

(iii) interest on (i) and (ii) above from the day of the commencement of the term of this demise to the date of the exercise of the said option at seven per cent per annum.

and deduct from the said aggregate of (i) and (ii):-

(iv) depreciation on (i) at three per cent per annum from the day of the commencement of this demise until the date of the exercise of the said option and

(v) the total rent paid by the Company to the Corporation from the commencement of the term of this demise to the date of the exercise of the said option in respect of the buildings and of the air-conditioning and ventillating system installed in the said buildings but not of the land hereby demised.

Provided however that should the Company exercise the said option then:-

(i) the Company shall pay to the Corporation from

and after the date of the completion of the aforesaid purchase a yearly rent of Five thousand and ninety-nine dollars and thirty-two cents in respect of the parcel of land hereby demised in the manner and on the days and times hereinbefore provided, and

(11) immediately before the end or sooner determination of the said term hereby created (unless the Corporation shallhhave given notice in accordance with the proviso in that behalf in this sub-clause hereinafter contained) the Company shall take down and remove from the said parcel of land hereby demised all and singular the erections and buildings whether freehold or chattel thereon erected and built standing and being and all the machinery equipment fixtures fittings and things of the Company and to fill up all excavations and make good all damage caused to the said parcel of land hereby demised by such removal and replace the surface thereof so as to level the parcel of land and make the same immediately ready for the erection of other buildings equipment and plant of any description and generally to restore the said parcel of land to the same state and condition as the same was in prior to the erection of the said buildings and other erections save and except that the Corporation may in writing authorise the Company to leave any part of the said buildings and erections in the then state and condition thereof;

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(b) It is hereby agreed and declared that if the Company shall have exercised the option to purchase but not the option to renew the Lease the Corporation shall be entitled at any time within the six months following the expiration of the twenty-fourth year of the then subsisting Lease to purchase the said buildings erected and built standing and being upon the said parcel of land or any of them with or without the fixtures and fittings therein and the Company shall leave the same intact and in good repair on the said parcel of land on being paid such price therefor as shall be agreed upon between the Corporation and the Company or failing such agreement within fifteen days of the delivery by the Corporation to the Company of the aforesaid notice thereof such price as shall be arbitrated by a single arbitrator in case the Corporation and the Company can agree upon one but otherwise by two arbitrators one to be appointed by each party and in either case in accordance with and subject to the provisions of the Arbitration Act, 1938 or any then subsisting statutory modification thereof; provided always that such arbitrated price shall reflect the true market value of such buildings as buildings for use for general industrial purposes; and in event that the Corporation shall exercise such option then the Company shall within six months from the date of the agreement take down and remove from the said buildings purchased by the Corporation all the Company's machinery and equipment and all fixtures and fittings and shall also remove all buildings not purchased by the Corporation in accordance with the Company's covenant in this sub-clause hereinbefore contained and shall also make good all damage done to any buildings purchased by

the Corporation by any such taking down and removal and generally render any buildings so purchased fit for use and occupation.

(3) That whether the aforesaid option to purchase shall be exercised or not there shall be an option in favour of the Company exercisable before the expiration of the twenty-fourth year from the commencement of this Lease to obtain from the Corporation a new lease for a term of twenty-five years to commence immediately after the determination of the term hereby created subject to the same covenants and provisions as are reserved and contained in these presents and including an option in the same terms in all respects as this sub-clause but to be exercised before the expiration of the twenty-fourth year of such new lease for another lease for a further term of twenty-five years at a rent to be agreed upon between the Corporation and the Company or failing such agreement within one month of the delivery of the aforesaid notice to be determined by arbitration by two arbitrators in accordance with and subject to the provisions of the Arbitration Act, 1958 of this Island or any then subsisting statutory modification thereof Provided always that if the aforesaid option to purchase shall be exercised but not otherwise then such arbitrated rent shall reflect only the rental value of the said parcel of land hereby demised and shall not take into consideration the rental value of the buildings and erections whether freehold or chattel which shall then be erected and built standing and being on the said parcel of land.

(4) The Company shall be entitled to erect and from time to time remove from the demised premises such temporary

buildings as the Company may consider necessary for the proper conduct of its business: Provided that the general design and facades of all such buildings shall be subject to the approval in writing of the Corporation and shall, if the Corporation so requires, be removed by the Company at the end or sooner determination of this demise.

(5) Any notice under this Lease shall be in writing and any notice to the Company shall be sufficiently served if left addressed to the Company on the demised premises or sent by registered post to or left at the registered office of the Company and any notice to any assign thereof not being a Corporation shall be sufficiently served if left addressed to him on the demised premises or sent by registered post to or left addressed to him at his last known address in this Island and any notice to the Corporation shall be sufficiently served if it is sent to the Corporation by registered post to the Corporation's Main Office for the time being and any notice sent by post shall be deemed to be given at the time when in due course of post it would be delivered at the address to which it is sent.

IN WITNESS whereof the said parties hereto have caused their Common Seals to be hereunto affixed the day and year first hereinbefore written.

THE COMMON SEAL of Barbados Development Board is hereto affixed pursuant to a resolution of the Board and in the presence of:-

Chairman

WITNESS:

Member

THE COMMON SEAL of International Scientific Limited was hereto affixed by its in the presence of:-

Countersigned

WITNESS:

Secretary.

SCHEDULE

of landlord's fixtures and fittings abovementioned.

1. Lighting fixtures other than bench lighing

2. Air-conditioning equipment.

MEMORANDUM

of documents annexed

1. Consent to the foregoing Lease and the renewals thereof dated the day of 19 and signed for and on behalf of Government by and given by

letter of the Town and Country Planning Officer dated the day of 19 and confirming that Permission for the foregoing Lease exists.

Plessey, Inc.,
c/o P.O. Box 625,
Bridgetown,
Barbados.

17 February, 1970.

The Right Honourable
Errol W. [illegible],
Prime Minister,
Ministerial Offices,
Bay Street,
St. Michael,
BARBADOS.

Dear Mr. Prime Minister:

Pursuant to your request of 16 February, 1970, we shall hereafter set forth the basic and primary terms of the proposed acquisition and assumption of the assets and most liabilities of International Scientific Limited by Plessey, Inc. which are to be effective 2 March, 1970.

ISL, as you know, is a private Barbadian corporation, having been incorporated 23 July, 1966. By Declaration of Approved Export Manufacturer (International Scientific Limited) (Electronic Computer Equipment) (Amendment) Order, 1968, published in the Official Gazette (L.N. 110 of 1966), the Minister of Finance, on 4 April, 1963, declared the official production date of ISL as being 1 January, 1968.

On 18 June, 1968, the Minister declared ISL an Approved Export Manufacturer of "Electronic Measuring Devices and Components" effective 1 July, 1968.

And on 16 August, 1963, the Minister declared ISL to be an Approved Export Manufacturer of "Electronic Devices and Components" effective 1 July, 1968.

On 10 September, 1966, ISL and the Barbados Development Board entered into an Agreement whereby the Board agreed to erect a factory building for ISL on certain property situated at Sunwell, Christ Church, and ISL agreed to lease or purchase said building and to lease said property under the terms therein provided. No lease has been signed by the parties to date due to a difference of opinion as to the terms thereof.

- continued -

The Right Honourable
Errol W. Barrow

17 February, 1970.

The Plessey Company Limited, an English corporation, has agreed to purchase the assets of ISL and to assume all liabilities of ISL (except those owing to ISL investors). Among those assets are the name and goodwill of ISL, the leasehold and option agreements offered ISL by the Board under terms no less advantageous to Plessey than were offered ISL and, in addition, Plessey must be accorded the same Approved Export Status as ISL held under terms no less advantageous to it than to ISL. The Plessey Company Limited will in turn, in fact already has transferred its position in the matter to its U.S. subsidiary, Plessey, Inc.

Plessey will have established a Barbadian corporation by 2 March, which corporation will take over the name International Scientific Limited. This corporation will expect to continue and expand the business ISL has built up to date. Plessey intends to put in over One Million Dollars (EC) to put ISL on a sound credit basis with its suppliers, vendors and other creditors, and to provide it with adequate working capital to support its continued growth.

Plessey will pay the present owners of ISL a sum of money, the amount of which depends upon the earnings of the business over the succeeding 12 months. Plessey will also make available to the new ISL, as needed, its engineering, design, and manufacturing expertise, personnel and equipment.

These very substantial investments by Plessey should mean even more rapid growth for ISL. They obviously will mean that ISL will have a much sounder base. However, Plessey cannot consummate the transaction on 2 March, 1970 without written assurance that it will receive the Seawell facilities, building and land, and the Approved Export Status of ISL, under terms no less advantageous to it than were available to ISL.

To be specific, Plessey would need the following:

(1) By Thursday, 19 February, 1970, a copy of the lease agreement (not executed) between ISL and the Barbados Industrial Development Board, which agreement will be signed by Plessey and the Board as soon as possible after the closing of the Plessey-ISL transaction (2 March, 1970).

- continued -

The Right Honourable
Errol W. Barrow

17 February, 1970.

(2) A letter from the Board to Plessey stating that if Plessey signs the above noted lease agreement and pays the arrearages due the Board on the ISL unexecuted lease of approximately $71,000 EC, the Board will issue said lease to Plessey along with the options and first refusals accorded ISL by the Board relating to the 4½ acres (now identified as lots 2 through 5) and the 9 acres immediately adjacent to the service road at the west end of the property. This letter must be received no later than 27 February, 1970.

(3) A letter from the Finance Minister to the effect that the Approved Export Status of ISL will be accorded Plessey (in the name of the new International Scientific Limited) as soon as enabling legislation, if necessary, can be enacted, and that Plessey will be allowed to operate the new ISL on and after 2 March, 1970 under terms no less advantageous than those accorded ISL. This letter must be received no later than 27 February, 1970.

We shall, of course, be willing to cooperate in whatever way is necessary to see that the necessary procedures may be accomplished in time.

Very truly yours,
PLESSEY, INC.

per: Donald G Clarke

Vice President

cc: Chairman, IDC
Manager, IDC
Attorney General

/mf

Plaintiff's Exhibit 112

MEMORANDUM

PX 112

TO: W. J. Sinsheimer

cc: G. H. Doust
N. J. Crocker
Frank Parr

FROM: D. G. Clarke

DATE: 4 June 1970

RECEIVED
JUN 8 1970
W. J. SINSHEIMER

INTERNATIONAL SCIENTIFIC (1970) LTD

Allan Kovar telephoned me today advising me that he had arrived in New York and had meetings set up with the Barbados Consul General Branford Taitt, for this afternoon and a meeting with the Customs Counsellor for Friday, June 5th. This meeting with the Customs Counsellor to cover the transfer of purchases in the United States through Barnett International as opposed to Scientific Trade Inc. currently being used.

I have arranged for Lutz and Tito (the new purchasing agent for Barbados) to meet with Allan Kovar on Friday to review the procedure to be followed in the future with regard to shipments of American purchased components to Barbados.

Allan Kovar intends to visit Chicago over the weekend to attend his daughter's graduation, and next week he will be visiting Magnavox, Ft. Wayne, Indiana in connection with the order which International Scientific Ltd. has taken from Magnavox.

Kovar asked me whether or not any decision had been reached with regard to the conversation which he, Crocker and I had when Crocker and I were last in Barbados when we indicated that we were not in agreement with the way Kovar was running ISL.

I mentioned to Kovar that Crocker had reported to you directly on his return to the UK and that I had discussed this matter with you also when you returned to New York. The position was now that you would in all probability, be reviewing this whole situation with him but that at the present time I was unable to make any comment as to what the Company policy would be.

Kovar advised that he would be in the United States during next week and could be reached through his parents home telephone number which is, area code 312 584 6543, and he would be available for a meeting with yourself to decide on the future course of action.

He informed me that the total May sales were approximately $144,000 and that he hoped to have available by Monday of next week, the profit for the month of May.

pr's Cp - Clarke 4 for adj

I would suggest that, should these figures be available, that you decide the course of action you intend to take with Allan Kovar and that this matter be resolved with yourself and he before Kovar returns to Barbados. On this basis it will then be possible for me to arrange for Norman Crocker to make available, his team from Portugal and Towcester, and for me to arrange that Frank Parr arrives at Barbados on the same date as Gretton, Sweeney and Lewis, this preferably to be the date following the dismissal of Allan Kovar.

D. G. Clarke

DGC:hh

Plaintiff's Exhibit 118

Px 118

	1	2	3	4	5	6	7	8
	Loans							
1	Interest on Debentures						9000	
2	" " "						10000	
3	Interest						85000	
4	Lauhala Trading Corp						35000	
5	Local						7000	
6	Office						34000	
7	Commissions						14000	
8	Taxes Payable (each 3.5K)						36400	
9	Rent						33000	
10	Local Payments - Medicines						6700	
11								
12							285100	
13	Debentures are due in 10 years from date of							
14	issue with interest at 2% per annum							
15	Redemptions prior to 105 and decrease							
16	Average issued to 100 at maturity varies for 4 years 1.145							
17	230,705 shares							
18	Sales for 1969 should amount to approx						1145000	
19	Jan 1 to Nov 30, 1969					43000		
20	Less 1/12 Dec					27000	(70000)	
21	Medical Training Expense						(48500)	
22	Medicine Expense						(1600)	
23	Medical Insurance						(10490)	
24							130590	
25	Projected for 1970 is						1014500	
26	Original projection was 3,675,810 Sets							
27	This was reduced by 1/3 to be realistic.							
28								
29	Profit projected at 10% interest and Income Taxes.						360142	
30								
31	Item							
32	2 Debentures of double value							
33	I & H @ 1.5 per Annual allowance							
34	based on							
35	Obligation being granted on Annual							
36	anniversary date. Income on Cash.							
37								
38								

H

1	2	3	4	5	6	7	8
Had no previous dealings with exchange. That dependent on estate 1970/1/Pr.			November 1969	Data Data	100 for value over 3 years 100 with shares		
Owns a house and approximately 10 acres of land							
House costs Furniture Depreciation to 1/20/69			49571.57 6914.90 5418.25				
Canadian Imperial Bank of Commerce holds a mortgage debenture on all of the assets.							
Rent building with rents applying to purchase price Lawsuit release without approval Option to purchase							
Original cost + 7% interest - Wages 2 3% pensions - all rent paid by company Exercisable at any time before expiration of the 10-year lease after commencement of lease Lease 7-5 years							
Date of lease April 1967 Land 145,695 sq. feet Rent approx 19000 U.S. per year							
Salaries					40000 - M 17000 - F 11000 - P 15000 - F		

Defendant's Exhibit A DX A 17

INTERNATIONAL SCIENTIFIC LIMITED

Proforma

BALANCE SHEET

AS AT OCTOBER 31, 1969 - U.S. $

ASSETS	October:	September:
rent Assets	13,388.55	14,415
ash	337,525.20	312,329
ccounts Receivable	164,508.77	149,334
nventories	42,025.60	41,470
repaid		
	557,448.12	517,548
ed Assets	568,929.49	545,815
ost	93,731.76	90,303
ccumulated Depreciation	475,197.73	455,512
eferred Finance Charges	17,794.48	18,568
	$1050,440.33	$ 991,628

LIABILITIES AND EQUITY		
urrent	62,685.24	-
ank Overdraft	278,440.69	262,491
ccounts payable & Accrued Expenses	18,808.20	15,374
ccrued Interest	36,403.16	36,403
ank: Loan less security	57,339.25	57,339
emption of debentures	18,830.00	18,830
urrent portion of long term debt	472,506.54	390,737
ong Term	200,000.00	200,000
ank Loan	26,459.71	26,787
ortgage	308,237.33	311,671
ease Liability	534,697.04	538,278
ess Current Portion	18,830.00	18,830
	515,867.04	519,448
quity	334,853.60	334,704
apital Stock	626,370.25	626,070
are Premium	(899,157.10)	(879,331)
ccumulated Deficit	62,066.75	81,443
	$1050,440.33	$991,628

* Assumes redemption of debentures and cancellation of their stock warrants, and clearing of ISI-VLJ loans

Def't's Ex. G
31,143-AGM

Defendant's Exhibit G

DX G

SINSHEIMER, SINSHEIMER AND DUBIN
ATTORNEYS AT LAW
660 MADISON AVENUE, NEW YORK, N. Y. 10021
TELEPHONE TEMPLETON 8-0424
CABLE ADDRESS "JEROSIN"

JEROME W. SINSHEIMER
WARREN J. SINSHEIMER
SETH H. DUBIN
THOMAS R. CONSTABILE, JR.

31,143

Hume 31,269

January 16, 1970

Letter Re Plessey
Amer Plessey
buying.
15,000 me
Opinion change.

Harold D. Shapiro, Esq.
Sonnenschein, Levinson, Carlin,
Nath & Rosenthal, Esqs.
69 West Washington
Chicago, Illinois

Re: Plessey with ISL

Dear Harold:

Enclosed is a draft of an agreement for the purchase by Plessey Company Limited of all of the assets of International Scientific Ltd. In view of the urgent time pressure, I have drafted it hurriedly. I hope you won't hold against me any changes I may wish to make after more relaxed reflection.

Stephen Fenlaugh should be coming to New York Tuesday evening and he will probably be here for the balance of next week. Consequently, I would appreciate it if your partner would contact me and meet with Stephen and me about this when he is in New York next week.

Sincerely,

Seth H. Dubin

SHD/mdb
Enclosure

cc: Mr. E. Allan Kovar
Mr. Milton Albert

Defendant's Exhibit K

AGREEMENT dated the day of ,1970 by and between THE PLESSEY COMPANY LIMITED, a corporation organized and existing under the laws of England (hereinafter referred to as "PLESSEY") and INTERNATIONAL SCIENTIFIC LTD., a corporation organized and existing under the laws of Barbados, West Indies (hereinafter referred to as "ISL").

WHEREAS, ISL desires that all of its properties be sold to PLESSEY on the terms hereinafter set forth; and

WHEREAS, PLESSEY desires to acquire all of the properties of ISL on the terms hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable considerations by each of the parties to the other in hand paid, receipt of which is hereby acknowledged, it is mutually agreed as follows:

1. ISL hereby agrees that, subject to the terms and conditions of this Agreement, ISL will sell, convey, transfer and deliver to PLESSEY, at the closing hereof, all of ISL's then existing assets and business including all of ISL's good will and its right to the use of its name. The assets so to be sold, conveyed, transferred and delivered shall include those owned by ISL on December 31, 1969 balance sheet with only such changes therein as shall have occurred in the ordinary course of ISL's business between December 31, 1969 and the closing, or otherwise as may be consented to or approved by PLESSEY in writing. Without limitation of the fore-

compliance by PLESSEY of all of the terms of the lease remaining to be performed, and an estoppel letter from Granite to the effect that all of the lessee's obligations to the date of closing have been performed.

5. Paragraph 6 hereof provides that ISL will be entitled to certain additional money depending upon the amount of profits derived from the assets being acquired hereby during the year commencing on the first day of the first calendar month after closing (hereinafter called "the measuring year"). In order to allow those assets to generate profits during the measuring year, PLESSEY hereby agrees that for that period it will:

a. Make available to the business within one week after closing funds totalling not less than Six Hundred Thousand ($600,000.00) U.S.Dollars;

b. Continue ISL'S business in good faith, itself or through a subsidiary,

c. Continue all agreements between ISL and sales representatives in the United States for the measuring year except for those agreements which are terminated for cause, and

d. The present management of ISL shall operate the business during the measuring year and shall have the maximum freedom to operate the business in a manner which will produce, in the judgment of such management, the maximum profit available provided, however, that any policy

directive issued by the directors of Plessey shall be complied with. Should Plessey propose any course of action which would be detrimental to profits during the measuring year ISL management shall have the option of requiring prior to commencement of such course of action that the net additional expenditure of ISL in pursuing such course over and above what it would have incurred if it had not pursued such course be excluded in determining profits. Notwithstanding the foregoing, if ISL profits are not at least Fifteen Thousand ($15,000) U.S. Dollars per month in any full months commencing with the third calendar month of the measuring year, this subparagraph shall no longer apply and Plessey shall have the right to assume full management responsibilities. In such event, however, Plessey shall be obligated to continue the business of ISL during the measuring year in good faith.

6. If during the measuring year the profits (as defined below) derived from the assets being acquired total Three Hundred and Sixty Thousand ($360,000.00) U.S. Dollars, or more, PLESSEY shall deliver to ISL not later than ninety (90) days thereafter a check in the amount of One Million Two Hundred and Sixty Thousand ($1,260,000.00) U.S.Dollars drawn to ISL. Should the profits be less

EJ.

Defendant's Exhibit M

BALANCE SHEET
AS AT NOVEMBER 31, 1969

U.S. $

ASSETS	NOVEMBER:	OCTOBER:
Current		
Cash	$15,394	$13,388
Accounts Receivable	342,687	337,525
Inventories	157,261	164,509
Prepaid	39,004	42,026
	554,346	557,448
Fixed - at Cost		
Cost	584,442	568,930
Accumulated depreciation	97,160	93,732
	487,282	475,198
Deferred Finance Charges	17,020	17,794
	$1,058,648	$1,050,440
LIABILITIES AND EQUITY		
Current		
Bank Overdraft	$37,017	$62,685
Accts Payable & Accrued Expenses	288,743	278,441
Accrued Interest	13,605	10,808
Bank loan less security	36,403	36,403
Redemption of Debentures	57,339	57,339
Current portion of long term debt	18,830	18,830
	$501,937	$472,506
Long Term		
Bank Loan	200,000	200,000
Mortgage	26,211	26,460
Lease Liability	304,903	308,237
	531,114	534,697
Less current Portion	18,830	18,830
	512,284	515,867
Equity		
Capital Stock	334,854	334,854
Share Premium	626,370	626,370
Accumulated Deficit	(916,797)	(899,157)
	44,427	62,067
	$1,058,648	$1,050,440

INTERNATIONAL SCIENTIFIC LIMITED
STATEMENT OF PROFIT AND LOSS -
NOVEMBER 1969 - U.S. $

	NOVEMBER:	YEAR TO DATE:
Sales	87,238.70	1,080,918.23
Less Cost of Sales	76,788.17	864,266.93
Gross Profit	10,450.53	216,651.30
Administration	21,015.68	189,066.89
Marketing	1,882.84	26,993.65
Engineering	3,082.37	42,648.46
	25,980.89	259,709.00
Net Profit (loss) before other expenses	(15,530.36)	(43,057.70)
Executive Severance	2,110.00	10,490.00
Deferred Training Expense	-	48,465.00
Debenture Expense	-	1,600.00
Preproduction Expense	-	65,428.29
	2,110.00	125,973.29
Net Profit or (Loss)	(17,640.36)	(169,031.17)

STATEMENT OF MANUFACTURING OPERATIONS

NOVEMBER 1969

U.S. $

	NOVEMBER	YEAR TO DATE
Sales	$87,238.70	$1,080,918.23
Less - Freight	2,627.20	19,032.86
Duty	3,741.60	56,602.09
Commission	6,100.35	52,925.66
	12,469.15	129,360.61
Net Sales	74,769.55	951,557.62
Less Materials	21,713.98	247,666.41
Net Sales of Labor	53,055.57	703,891.21
Standard Cost of Labor	18,759.64	294,846.64
Standard Gross Profit	34,295.93	409,044.57
Cost Variances (unfavorable)	(23,845.40)	(193,393.27)
Manufacturing Profit (Loss)	$10,450.53	$216,651.30

ADMINISTRATION EXPENSES
NOVEMBER 1969
U. S. $

	NOVEMBER:	YEAR TO DATE:
Administration Salaries	$4,420.56	$30,313.32
Bank Charges	159.03	3,251.32
Cables and Long Distance	442.51	1,602.41
Debenture Interest	3,134.70	34,622.74
Depreciation	200.00	2,179.00
Directors Expenses	1,250.00	11,102.15
Employee Program	64.49	2,027.03
Exchange	46.84	94.65
Finance Charges	773.76	8,511.36
Insurance	237.40	769.54
Legal and Audit	537.50	2,992.50
Other Interest	1,621.88	12,187.15
Postage	99.98	1,103.64
Publications & Subscriptions	12.74	659.40
Purchase Services	3,166.66	38,183.29
Repairs and Maintenance	-	827.81
Public Relations	-	50.00
Staff Procurement	36.00	1,803.66
Staff Relocation	-	2,077.06
Stationery	447.33	2,553.12
Telephone	1.12	417.62
Training Expense	525.22	12,105.24
Travel - local	13.38	2,789.13
Travel - overseas	1,004.07	9,205.03
Misc.	128.46	259.69
Maintenance allocation	692.05	8,682.73
	$21,015.68	$189,866.89

MARKETING EXPENSES

NOVEMBER 1969

U.S. $

	NOVEMBER:	YEAR TO DATE:
Advertising	$250.00	$2,250.00
Admin. Salaries	278.00	2,377.00
Cables & Long Distance	314.95	3,160.53
Corporate House	455.01	5,100.48
Entertainment	17.72	661.70
Representatives Expenses	344.14	4,407.14
Sales Discounts	31.25	3,992.78
Telephone	6.00	96.05
Travel - overseas	79.96	5,399.02
Misc.	105.81	247.30
	$1,882.84	$26,993.65

ENGINEERING EXPENSES
NOVEMBER 1969
U.S.$

	NOVEMBER:	YEAR TO DATE:
Admin. Salaries	1,436.75	18,058.81
Calls & Long Distance	-	42.90
Depreciation	-	1,400.00
Indirect Materials	182.69	558.51
Publications & Subscriptions	-	45.00
Purchase services	350.00	12,515.90
Repairs and Maintenance	-	446.86
Small Tools	-	96.51
Stationery	-	38.45
Telephone	24.04	216.18
Travel - overseas	243.88	1,223.33
Allocations - Maintenance	605.54	6,924.96
Service	420.58	5,514.26
Drafting	126.22	1,113.60
Model Shop	35.16	343.83
	3,424.86	48,536.10
Allocated to Manfg.Expenses	342.49	5,687.64
	3,082.37	42,848.46

MANUFACTURING EXPENSES

NOVEMBER 1969

U.S. $

	NOVEMBER:	YEAR TO DATE:
Admin. Salaries	$5,648.15	$57,410.00
Cables & Long Distance	653.08	4,098.33
Depreciation	2,450.00	25,550.00
Employee Program	915.43	16,767.76
Indirect Materials	4,859.59	31,865.52
Insurance	306.30	918.90
Inventory Adjustment	-	1,317.10
Indirect Wages	4,086.81	63,420.67
Publications & Subs.	-	63.85
Purchase Services	3,360.00	71,416.05
Repairs & Maintenance	47.71	3,458.63
Small Tools	383.96	4,785.53
Stationery & Cleaning Supplies	423.00	3,341.42
Supervision	3,017.39	32,237.93
Telephone	56.81	568.30
Travel - local	-	2,823.01
Travel - overseas	90.45	4,367.75
Wage Premium	624.18	11,939.18
Allocations - Maintenance	3,027.70	37,105.81
Service	3,785.19	53,903.20
Drafting	378.65	4,295.79
Model Shop	316.39	3,442.57
Engineering	342.49	5,687.64
	$34,773.28	$440,785.54

MANUFACTURING EXPENSES
MAINTENANCE
NOVEMBER 1969

U.S. $

	NOVEMBER:	YEAR TO DATE:
Depreciation	$600.00	$6,600.00
Employee Program	69.01	731.52
Insurance	-	1,000.00
Other Wages	689.62	8,159.57
Repairs & Maintenance	433.22	5,188.97
Cleaning Supplies	92.95	2,748.73
Taxes	325.00	3,575.00
Travel - local	22.01	1,934.51
Utilities	2,093.48	22,795.20
	$4,325.29	$52,713.50
Allocated		
Manufacturing	3,027.70	37,103.81
Engineering	605.54	6,924.96
Administration	692.05	8,682.73
	$4,325.29	$52,713.50

MANUFACTURING EXPENSES

SERVICES

NOVEMBER 1969

U.S.$

	NOVEMBER:	YEAR TO DATE:
Admin. Salaries	$609.78	$3,874.84
Cables & Long Distance	126.88	1,437.24
Freight	965.59	13,458.07
Insurance	710.93	4,795.47
Publications & Subscriptions	-	25.40
Purchase Services	1,679.71	34,563.21
Stationery	112.81	744.64
Telephone	6.01	100.06
Travel - Local	.06	409.53
	$ 4,203.77	$59,417.46
Allocated - Manufacturing	3,783.19	53,903.20
Engineering	420.58	5,514.26
	$4,203.77	$59,417.46

MANUFACTURING EXPENSES
DRAFTING AND MODEL SHOP
NOVEMBER 1969
U.S. $

	NOVEMBER	YEAR TO DATE
MODEL SHOP		
Depreciation	$ 25.00	$275.00
Direct Materials	-	471.58
Other Wages	326.55	2,963.84
Repairs & Maintenance	-	25.00
Small Tools	-	44.74
Stationery & Cleaning Supplies	-	6.05
	$ 351.55	$3,786.21
Allocated - Manufacturing	316.39	3,442.37
Engineering	35.16	343.84
	351.55	3,786.21
DRAFTING		
Admin. Salaries	353.52	4,125.37
Publications & Subs.	-	71.82
Stationery	149.35	1,214.20
	504.87	5,411.39
Allocated - Manufacturing	378.65	4,295.79
Engineering	126.22	1,115.60
	$504.87	$5,411.39

Defendant's Exhibit R

UX "

INTERNATIONAL SCIENTIFIC LIMITED
STATEMENT OF PROFIT AND LOSS
FEBRUARY 1970

	MONTH	YEAR TO DATE
Sales	$ 7284971	$ 14789155
Returns	3297878	3490178
Returns Reshipped	1802410	5910730
	5795503	17209707
Cost of Materials	1487340	5336918
Materials usage Variance		
Materials Price Variance		
Commission on Materials	235453	426953
Total cost of Materials	1722793	5763871
Gross Sales of Labour	4072710	11445836
Freight	223880	392300
Duty	248461	495296
Commission	233208	484215
Total	705549	1371811
Net Sales of Labour	3367161	10074025
Cost of Sales		
Labour	345096	780255
Efficiency Variance	441135	783468
Rate Variance	(106002)	(248016)
Total Labour	680229	1315707
Variable Overheads	670176	1515254
Spending Variance	1005424	1541265
Total	1675718	3056519
Total Cost of Sales	2355947	4372226
Marginal Profit	1011214	5701799
Fixed Mfg. Expenses	2203900	4407800
Budget Variance	509626	379609
Total fixed Mfg.	2713526	4787409
Manufacturing Profit/(Loss)	(1702312)	914390
Fixed: Admin & Mkt.	1855600	3711200
Budget Variance	2984968	3172500
Engineering	1334100	2668200
Budget Variance	(633211)	(1232929)
Total Non-Mfg. Fixed	5541457	8318971
Net Operating Profit/(Loss)	(7243769)	(7404581)
Profit on Sale of fixed assets	2687404	2687404
Net Profit (loss)	$(4556365)	$(4717177)

INTERNATIONAL SCIENTIFIC LIMITED
STATEMENT OF VARIABLE EXPENSES
MONTH OF FEBRUARY 1970

	MONTH	YEAR TO DATE
Delay Codes		
A	£ 42273	£ 129213
B	17775	35508
C	252027	665919
D	1500	1947
E	3018	35598
	316593	871185
Payroll		
Wages & Salaries	140946	269869
Travelling	15000	30000
Annual Holidays	—	2362
Medical Expenses	—	—
Bank Holidays	4705	11330
Uniforms	—	13387
National Insurance	37352	81125
Group Insurance	—	—
Sick Pay	53762	82605
Overtime	28815	96744
	280580	587422
Indirect Materials	189966	1174196
Inventory Insurance	28000	108809
Freight in	76437	176772
Stationery	3457	10719
Small tools	53217	93374
Total Burden Incurred	1652250	3022477
plus Opening Burden	706968	717542
	2359218	3740019
less Closing Burden	683500	683500
Burden sold	670176	1515254
	1353676	2198754
Burden Spending Variance	£ 1005542	£ 1541265
Hours Produced calculation		
Std. Hours Sold	11503.2	
std. Hours closing	11731.9	
	23235.1	
Less std. Hours Opening	12134.7	
Total Hours Produced	11100.4	

Note – (£2,285.22 worth of Variable Overheads included in finished goods inventory at 31/12/69, was transferred to Work in progress in January & February – therefore Year to date Opening Inventory figure was adjusted by this amount.

INTERNATIONAL SCIENTIFIC LIMITED
FIXED EXPENSES — OPERATIONS
MONTH OF FEBRUARY 1970

	MONTH	YEAR TO DATE
Payroll		
Wages & Salaries	$ 905916	$ 1758166
Travelling	52700	93412
Medical Expenses	542	542
Uniforms	173608	180732
National Insurance	16597	32914
Group Insurance	—	—
Purchase Services	378500	760750
Total Payroll	1527863	2826516
Communications		
Cable Telex & long Distance	153626	238931
Local Phone	—	
Overseas Travel		8340
Total communications	153626	247271
Depreciation	370470	740757
Maintenance — Mfg. equipment	242580	268816
Insurance	15800	31600
Local transport	—	—
Stationery	21551	35051
Customer relations	—	—
Purchasing charge	381446	634746
Miscellaneous	190	2652
TOTAL	$ 2713526	$ 4787409

INTERNATIONAL SCIENTIFIC LIMITED
FIXED EXPENSES - ADMINISTRATION, MARKETING
MONTH OF FEBRUARY 1970.

	MONTH	YEAR TO DATE
Payroll		
Wages & Salaries	$ 453266	$ 864367
Travelling	42250	86000
Medical Expenses	720	1924
Uniforms		
National Insurance	5226	9283
Group Insurance	—	—
Purchase Services	516666	1033332
Total Payroll	1018128	1994906
Communications		
Cable, Telex, long distance	100626	129405
Local Telephone	688	7700
Postage	3279	17198
overseas travel	(12142)	87768
Total Communications	92451	242071
Depreciation	83065	165979
Maintenance - Office equipment	23825	23825
Rent	13250	18250
Taxes	32500	65000
Insurance	12300	24600
Local transport	16277	32801
Stationery	59729	82779
Customer & Public Relations		
Customer	—	—
other	41490	42240
Total	41490	42240
Directors expenses		
Fees	92500	112500
Meeting expenses	28915	58915
& Other	(3067)	6938
Total Directors expenses	118348	178353

151

INTERNATIONAL SCIENTIFIC LIMITED
FIXED EXPENSES – ADMINISTRATION & MARKETING
MONTH OF FEBRUARY 1970

	MONTH	YEAR TO DATE
BROUGHT FORWARD	£ 151368	£ 287014
Bank charges	20684	36002
Charges	9406	32456
Exchange		
Total Bank charges	30090	68458
Corporate house		
Depreciation		112
Supplies	2000	4103
Insurance		700
National insurance		
Group insurance		2500
Taxes	9513	9673
Utilities		11000
Wages	14395	14395
Repairs & Maintenance		
Total Corporate house	25908	42483
Staff procurement & Training	(23436)	22650
Legal & Audit	1877943	1917943
Rep's Expenses	45000	90000
Advertising	75267	100267
Publications & Subscriptions	19850	20350
Money Expenses		
Loans	160709	321539
Discounts taken	(1894)	(1894)
Discounts given		
Bank interest	138824	430935
Other interest	720529	983029
Total Money expenses	1267268	1733609
Miscellaneous	10910	17122
	£ 4840568	£ [illegible]

INTERNATIONAL SCIENTIFIC LIMITED
FIXED EXPENSES – ENGINEERING
MONTH OF FEBRUARY 1970

	MONTH	YEAR TO DATE
Payroll		
Wages + Salaries	$ 199429	$ 406893
Travelling	28000	58260
Medical Expenses	—	—
Uniforms	3392	3392
National Insurance	1499	9137
Group Insurance	—	—
Purchase Services	35000	70000
Total Payroll	270320	547682
Communications		
Cable + long distance	4116	24988
Local phone	872	872
Overseas travel	34130	34130
Total Communications	39118	59990
Depreciation	5000	10000
Maintenance		
Building	18320	33703
Other	30048	164759
Villa	—	1502
Total Maintenance	48368	199964
Local Transport	24612	51323
Stationery	116166	137368
Electricity	179457	375414
Customer & Public Relations	—	—
Cleaning	17849	53536
Research & Development		

INTERNATIONAL SCIENTIFIC LIMITED

STATEMENT OF ACCUMULATED DEFICIT

AS AT 1st MARCH 1970

Albert #6

Accumulated Deficit at 31st December 1969			$ 11693593
Add: Adjustments to Inventory at 31/12/69			658559
			12352152
Loss - January 1970		$ 160812	
February 1970		456365	617177
Accumulated Deficit at 1st March 1970			12823929

Defendant's Exhibit X

SP-Q-1

Issued: 8 July, 1969

DX X

SUBJECT: Quotes, Requests for (RFQ).

POLICY: All requests for quotes will be uniformly and expeditiously handled by the President or his designee.

PROCEDURE: 1. All RFQ's shall be submitted to the President or his designee who shall have prepared three copies of the RFQ form (SP-Q-1.1) after having the RFQ numbered and logged in.

2. The RFQ form (2 copies) shall be distributed to the Operations Manager, Applications Engineering, Quality Assurance and Manufacturing Engineering for review, comment, determination and computation of methods, times, materials and costs thereof. Attached to the forms will be copies of all available drawings, specifications and requirements.

a) The Operations Manager will review the material and determine quotability.

b) Applications Engineering will supply all pertinent information such as core size, plane configuration, construction, etc. This information and the request for quote will be forwarded to the Manufacturing Engineering Department.

c) Quality Assurance will review the materials to determine if any special problems are involved and, if so, shall note same on the RFQ form.

d) Manufacturing Engineering will prepare appropriate estimates using the following format:

1) Summary Sheet (SP-Q-1.2) - summary of direct labor, test and material by assembly on a per unit basis.

2) Stack estimating form (SP-Q-1.3) - General operational outline. Hours shown in "Extracted Assembly Hours" include raw direct labor extended with P.F.D. and labor utilization factors per the corporate policy. No further factors should be applied.

/....

3) Plane wiring form - SP-Q-1.4) Operational outline with associated labor values. No additional factors to be added.

4) Estimates other than planes and stacks - these estimates will be done without a pre-rate form. The format will be similar but the elements will vary with the nature of the job.

5) The material list will be checked with Purchasing for pricing.

6) When priced, the material and direct labor will be summarized and the package submitted to the President.

SP.Q-1.1
Issued: 8 July, '69

RFQ

Customer _____ No: _____

Buyer _____

Tel.No: _____ Cust.RFQ No: _____

Engineer _____ Cust.RFQ Date: _____

Tel No: _____ Date Recd by ISL: _____

Date Required: _____

Description of Item to be Quoted _____

_____

_____

Quantities to be Quoted _____

Delivery Requested _____

Operations Manager _____

Applications Engineering

Date Rec'd: _____

Date Forwarded _____

Comments _____

_____

_____

_____

_____
Signature

Quality Assurance

Date Rec'd: _____

Date Forwarded _____

Comments _____

_____

Signature _____

Mfg.Engineering

Date Rec'd: _____

Date Forwarded: _____ Signature _____

President

Date Quoted: _____

COST ESTIMATE

FQ, IFB NO._____ DATE_____

USTOMER_____

USTOMER/ISL PART NO._____ ESTIMATED BY_____

SUMMARY

ssy. or Sub.Assy.	Qty.	Assy.Hrs Per Unit	Assy $ per Unit	Total Assy $	Test Hrs Per Unit	Test $ Per Unit	Total Test $	Material $/Unit	Total Mat'l $	
TOTALS										

E 304

TE: BUF & LUI Factors are built into "HOURS PER UNIT"

Defendant's Exhibit Z

DX Z

12 June 1970

Mr. Peter Hewitt
International Scientific (1970) Ltd
P.O. Box 625
Bridgetown, Barbados, W.I.

Dear Peter:

PURCHASING PROCEDURE

I am attaching a report from Pat Tito covering purchasing arrangements on behalf of Barbados. The report itself is selfexplanatory, will you please put the suggestions into effect immediately and as I will be in Barbados on June 22nd, should there be any suggestions which you may like to make to improve the buying procedure, we can review them at that time.

Yours sincerely,

PLESSEY ELECTRONICS CORP.

Donald G. Clarke
President

DGC:hh
enc.
cc: R. Lutz
P. Tito

28 AB
DX w.

Defendant's Exhibit AB

II

Left'd Ch P-David.
3/11/93-
YGM

March 2, 1970

Plessey Incorporated
c/o Sinsheimer, Sinsheimer and Dubin
660 Madison Avenue
New York, New York 10021

Gentlemen:

We represent International Scientific Limited ("ISL") a Barbados corporation and have participated on its behalf in the negotiations leading to the execution of a contract dated February 4, 1970, with The Plessey Company Limited (the "Agreement"). The Agreement was subsequently amended to provide that Plessey Incorporated would be substituted for The Plessey Company Limited.

We have examined the laws of Barbados on which we as Illinois lawyers are, of course, not experts, and the corporate records of ISL including its Memorandum of Association, By-laws and records of the actions of its directors and shareholders. We have also examined such other matters of fact and law as we have deemed necessary for giving this opinion.

Based on the foregoing, it is our opinion that:

1. ISL is a corporation duly organized, validly existing and in good standing under the laws of Barbados, W.I.; and

2. The execution, delivery and performance of this Agreement by ISL have been duly authorized and approved by all requisite action of ISL's Board of Directors and stockholders and that this Agreement has been duly executed and delivered by ISL and constitutes the valid and binding obligation of ISL in accordance with its terms.

Also based on the foregoing examination and conversations with officers of the Company, we do not know of any litigation, proceeding or governmental investigation pending or threatened against or relating to ISL, its properties or business, or the transaction contemplated by this Agreement, or of any legal impediment to the operation by Plessey Incorporated of ISL's properties and business in the ordinary course.

Very truly yours,

SONNENSCHEIN LEVINSON CARLIN
NATH & ROSENTHAL

By
Julius Lewis

JL:ac

32 38F DX-47 Defendant's Exhibit AF II

memorandum

FROM:	TO:
D. G. CLARKE	W. J. SINSHEIMER

RECEIVED
MAR 5 1970

TEL. EXT. GPO: INT: W. J. SINSHEIMER DATE: March 2, 1970

SUBJECT: INTERNATIONAL SCIENTIFIC (1970) LTD.

I have today received from Norman Crocker a copy of his Brochure, issued last week, on Memory Stacks, U.S.A., and agree entirely with Norman's comments on page 3 that it is in the interests of Plessey for the time being that Alan Kovar continues to be a resident in Barbados, since this is the area in which his expertise and local knowledge will be of the most use. I still am of the opinion that come the end of the first 12 months, Kovar will be content to take a financial settlement and go his separate way.

Regarding the sales organization, it is most essential that we establish a good basis from which to generate sales of the Barbados production in the U.S.A., and we must exert every effort to supplement the existing Barbados sales outlets. I have read the letter which you have forwarded to me signed by Fred Huettig, dated February 20, and will discuss this with you on your return.

I have written to Alan Kovar and asked him to set up a meeting on March 25, 1970, with his Agents, this meeting to be held in New York, it will coincide with the I.E.E.E. Show and Norman Crocker will also be available to talk to this group on the kind of products which Plessey has to offer in the Memory field.

My immediate feelings are that we should establish a selling operation either through Frank Parr, should he be available, or alternatively, through the Huettig arrangement, should this be financially feasible. The advantage of using Frank Parr is that he is already fully acclimatized to the Plessey way of operating, and you must admit this is unusual to the average American mind, and to have someone available with this prior knowledge is a distinct advantage.

I do not feel that at the moment it is advisable to become any more closely associated with the Marshall Butler group, should it be eventually decided that they take over the sales and organization of the Memory Division then this becomes a different matter.

DGC x 7

We are already committed for two stands at the I.E.E.E. Show, one will cover Semi-Conductor products and the other, products from our Memory Division. Kinkopf has organized the Memory Products display and will be manning the stand. I therefore propose doing nothing with his leaving the Company until this show has been completed and by that time, we should have some indication as to whether Parr or part of the Eisenberg organization takes over the future sales and marketing organization.

At the present time, McNamara is visiting the UK to assist Norman Crocker in an evaluation of the future potential for Plated Wire, I have discussed McNamara's visit with Norman and unless Norman feels that it would be in Plessey's interests that McNamara see the Portuguese operation, then he will return direct to the U.S., after completing his visit and discussions in Towcester and London.

We will review this whole situation on your return.

D. G. Clarke/mkp

D. G. Clarke

DGC:mkp

cc: N. Crocker

DX
AL

Defendant's Exhibit AL

THIS AGREEMENT made and entered into this 16th day of June, 1970, by and between PLESSEY INCORPORATED, a corporation organized and existing under the laws of the State of Delaware (hereinafter sometimes referred to as "PLESSEY"), and E. ALLAN KOVAR, currently residing at Barbados, West Indies (hereinafter sometimes referred to as "KOVAR"),

W I T N E S S E T H:

WHEREAS, PLESSEY heretofore entered into an agreement with INTERNATIONAL SCIENTIFIC LTD., a corporation organized and existing under the laws of Barbados, West Indies, wherein and whereby PLESSEY acquired the assets and the good will of INTERNATIONAL SCIENTIFIC LTD; and

WHEREAS, pursuant to the terms of said agreement a portion of the purchase price for the assets and good will of INTERNATIONAL SCIENTIFIC LTD. was contingently payable twelve (12) months after the acquisition by PLESSEY of such assets and good will based upon the profitability of the operations; and

WHEREAS, said agreement further provided that the then management of ISL would manage the business and would be given maximum freedom to operate the business; and

WHEREAS, said agreement further provided that in the event that the profits commencing

May 1, 1970 averaged less than Fifteen thousand ($15,000) Dollars per month the right of the prior management of ISL to have such maximum freedom to operate the business could be terminated by PLESSEY; and

WHEREAS, the business has since the acquisition of the assets and good will of INTERNATIONAL SCIENTIFIC LTD. by PLESSEY been managed by KOVAR, who was the former President of INTERNATIONAL SCIENTIFIC LTD.; and

WHEREAS, the business did not average Fifteen Thousand ($15,000) Dollars profit for the month of May, 1970; and

WHEREAS, PLESSEY formally notified INTERNATIONAL SCIENTIFIC LTD. of the exercise of its rights to assume complete management and control; and

WHEREAS, PLESSEY does not desire to avail itself of KOVAR'S services; and

WHEREAS, KOVAR and PLESSEY desire to terminate their relationship on the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the premises and other good and valuable considerations given and received, it is mutually agreed as follows:

FIRST: KOVAR hereby resigns as President and a Director of INTERNATIONAL SCIENTIFIC (1970) LIMITED, effective immediately.

SECOND: The employment of KOVAR by INTERNATIONAL SCIENTIFIC (1970) LIMITED is terminated forthwith.

THIRD: KOVAR agrees that for a period of twelve (12) months from the date hereof he will not, directly or indirectly, own, manage, operate, control, be employed by, participate in, or be connected in any manner with the ownership, management, operation or control of any business engaged in the manufacture or sale of products similar to or competitive with the products manufactured or sold by INTERNATIONAL SCIENTIFIC (1970) LIMITED, or the Memory Division of PLESSEY ("competing activities"). Nothing herein shall prohibit KOVAR from being so connected with non-competing activities of another business which also conducts competing activities.

FOURTH: PLESSEY agrees to pay KOVAR a termination salary equivalent to six (6) months salary at an annual rate of Forty Thousand ($40,000) Dollars per annum, such salary to be paid by PLESSEY to KOVAR monthly, commencing July 1, 1970, as follows, in United States dollars:

July 1, 1970	$5,000.00
August 1, 1970	5,000.00
September 1, 1970	5,000.00
October 1, 1970	1,666.67
November 30, 1970	1,666.67
December 31, 1970	1,666.66

In addition, PLESSEY shall permit KOVAR to continue to occupy the house belonging to INTERNATIONAL SCIENTIFIC (1970) LIMITED in Barbados until December 31, 1970,

without payment of rent except that upon ten (10) days notice, PLESSEY may require KOVAR to vacate the house no later than November 30, 1970. PLESSEY further shall continue to permit KOVAR to use the automobile owned by INTERNATIONAL SCIENTIFIC (1970) LIMITED until November 30, 1970.

In the event that KOVAR shall permanently leave Barbados prior to November 30, 1970, possession of the house and the automobile shall revert to INTERNATIONAL SCIENTIFIC (1970) LIMITED immediately upon KOVAR's departure from Barbados. Further, possession of the house shall revert to INTERNATIONAL SCIENTIFIC (1970) LIMITED if KOVAR shall otherwise vacate it without intending to continue occupying it as his residence in Barbados.

KOVAR agrees that during his occupancy of the house as hereinabove provided he shall not rent the same to any other person, firm or corporation.

FIFTH: KOVAR agrees to and does release, remise and forever discharge for himself, his heirs, executors, administrators and assigns, PLESSEY and INTERNATIONAL SCIENTIFIC (1970) LIMITED of and from all manner of actions, causes of action, suits, debts, dues, sums of money, accounts, reckoning, covenants, contracts, controversies, agreements, promises, damages and demands whatsoever, in law or in equity, which against

PLESSEY or INTERNATIONAL SCIENTIFIC (1970) LIMITED he may have, or which KOVAR, his heirs, executors, administrators or assigns hereafter can, shall or may have for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of these presents. Such release does not pertain to any claims which KOVAR may have as a shareholder of Scientific Holding Company Limited.

IN WITNESS WHEREOF, KOVAR has set his hand and seal, and PLESSEY, has caused this instrument to be executed by its duly authorized officer the day and year first above written.

PLESSEY INCORPORATED

By _____

_____

E. Allan Kovar

Defendant's Exhibit AM

SONNENSCHEIN LEVINSON CARLIN NATH & ROSENTHAL

69 WEST WASHINGTON STREET

CHICAGO, ILLINOIS 60602

TELEPHONE ANDOVER 3-6400

EDWARD SONNENSCHEIN (1861-1935)
HUGO SONNENSCHEIN (1883-1958)

of Counsel
DAVID LEVINSON
BEN ROTHBAUM
RICHARD M. GUDEMAN

EDWARD L. [illegible]
PAUL J. MILLER
ROBERT N. [illegible]
JULIUS LEWIS
DONALD G. [illegible]
WAYNE R. HARLAN, JR.
BERNARD J. GOLDBAUM
SHELDON I. [illegible]
DONALD H. SCHINDEL
FREDERIC S. LANE
RODNEY C. EPSTEIN
MARC LEVENSTEIN
DANIEL R. SWIFT
RICHARD HARRIS
GERALD J. SHERMAN
OTIS H. HALLEEN

ARNOLD B. KANTER
MICHEL J. [illegible]
RONALD M. [illegible]
DUSTIN E. NEUMANN
PAUL HORTON
LINDA J. SILBERMAN
HAROLD C. HIRSHMAN
JONATHAN H. SHERR
KATHERINE L. DAVIDOW

June 15, 1970

Mr. Raymond Carlen
Jos. T. Ryerson & Son, Inc.
2558 West 16th Street
Chicago, Illinois

Dear Ray:

Enclosed is a draft of the letter I discussed with you today. I am also sending a copy to Ted Murray and would appreciate any comments either of you may have.

Harold Shapiro and I have discussed this and we think that the letter might better be signed by you than by Allan and I will tell Allan when I talk with him tomorrow. Once the letter has been sent, we can decide how to follow it up and arrange a time and place for a meeting.

Best regards.

Very truly yours,

SONNENSCHEIN LEVINSON CARLIN
NATH & ROSENTHAL

By Julius Lewis

JL:as

cc: Ted Murray

Lewis Dep X 1 cd
(7.17.73) mds

Defendant's Exhibit AS

Warren Sinsheimer, Esq.
Sinsheimer, Sinsheimer and Dubin
660 Madison Avenue
New York, New York 10021

Dear Mr. Sinsheimer:

On behalf of the Directors of Scientific Holding Company, Ltd., I wish to acknowledge receipt of your letter to them of June 9, 1970 concerning your assumption of complete management control of International Scientific (1970) Limited.

The Directors are greatly distressed by this action. They believe that the progress of ISL clearly indicated that the profit goal set for the Company under the Agreement of February 2, 1970 (as amended) would be met. In our negotiations you repeatedly indicated that no such action would be taken so long as progress was being made by ISL.

You have now seen fit to assume management, despite your contrary assurances. The Directors will look to Plessey Incorporated as trustee of the rights of Scientific Holding Co. under the February 2 agreement. The Directors will expect that the good faith management of ISL by Plessey Incorporated will entail the production of the maximum profit available during the 12 month period ending March 31, 1971. To this end the Directors will also expect that you will make available to them a complete monthly accounting of all ISL activities, sales, expenses and such other information as may be necessary or desirable for them to determine whether, in their opinion, any course of action or expense is detrimental to attaining the profit goal.

I would suggest that an early meeting take place between yourself and a committee of the Board to determine a working relationship during this period.

Very truly yours,

Lewis Rep X 2 ad
(7-17-73) MJS

ONLY COPY AVAILABLE

D 46 DXM 1

Defendant's Exhibit AT III

Def's Ex K for id - 3/1/73 RGM

August 11, 1970 #6 AT#1

TO: SHAREHOLDERS OF SCIENTIFIC HOLDING COMPANY LTD.
(formerly International Scientific Ltd.)

This is to inform you that the agreement between INTERNATIONAL SCIENTIFIC LTD. and the PLESSEY CO. LTD. dated February 4, 1970, was amended by letter agreements dated February 18, 1970, and March 2, 1970. I first became aware of the amendments verbally from Mr. Kovar on June 9, 1970, and on or about June 14, 1970, when I received a copy of a letter from Warren J. Sinsheimer, president of PLESSEY, INCORPORATED, addressed to INTERNATIONAL SCIENTIFIC LTD. giving notice that PLESSEY was "exercising its right to assume complete management control (of ISL), forthwith," in accordance with the provisions of the agreement dated February 4, 1970, as modified by letter agreement dated March 2, 1970.

The takeover was upon conditions imposed (changing from three to two months the effective time to raise level of profits per month to $15,000) on the "measuring year" in an amendment demand by PLESSEY at the last minute as a condition to close. These were not known to me, and if known, would not have been acceptable. Obviously, I did not attend the negotiations, was not consulted, and cannot determine as a matter of hindsight - how I would have reacted.

I requested a conference with Mr. Sinsheimer to discuss the reasons for the PLESSEY takeover and the many problems involved. He first refused and then agreed to such a meeting, which took place July 13, 1970.

During the meeting we discussed the conditions leading up to the PLESSEY assumption of management responsibility and our rights as shareholders of ISL (now Scientific Holding Company Ltd.) to receive reports as needed to evaluate the good faith management of PLESSEY.

I took the position that the amendments to the agreement, under which PLESSEY assumed the management, were not made with the approval of the shareholders, and hence the assumption of management by PLESSEY imposed upon PLESSEY an extraordinary responsibility to reach the profit goal of $360,000 for the measuring year or be prepared to redress the shareholders for any damages sustained as a result of its failure.

While Mr. Sinsheimer (who I found quite impressive) would not agree to furnish your company or its officers with such financial information and rejected the proposition that PLESSEY was a trustee for the benefit of ISL shareholders, he did express, several times, his confidence that profits of the Barbados facility, as managed by PLESSEY, will be such that the maximum payment under our contract will be made by PLESSEY next spring.

Raymond N. Carlen

fp
cc: Directors

Defendant's Exhibit AZ AZ

#17

CABLE: INTERSIL BARBADOS

International Scientific Ltd.

P. O. BOX 625, BRIDGETOWN, BARBADOS, W.I.
TELEPHONE: 87133
TELEX: ISL BAR WB235

Tucker &

ESR

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March 2, 1970

Controllers Attestation
To: Plessey Limited

I have reviewed the Balance Sheet as at December 31, 1969 and the Statement of Profit and Loss for the year ended on that date, which are in accordance with the books of the company.

1- The Balance Sheet, with the notes attached is properly drawn up so as to present fairly the state of the company's affairs as at December 31, 1969.

2- The Statement of Profit and Loss with the notes attached present fairly the loss for the year ended on December 31, 1969.

E. Hourihan, CA
Controller
International Scientific Limited.

pj

10(c)(ii)

INTERNATIONAL SCIENTIFIC LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1969
(expressed in U.S. Dollars)

	1969	1968
Sales	$ 1,082,910.	$ 417,887.
Less duty freight & commission	134,949.	50,466.
Net Sales	947,961.	367,421.
Cost of sales	911,694.	532,851.
Gross Profit (loss)	36,267.	165,430.
Engineering expenditure	66,900.	48,033.
Administration expenses	189,486.	117,952.
Marketing expenses	34,933.	52,219.
	291,319.	218,204.
Operating profit (Loss	(255,062.)	(383,634.)
OTHER EXPENSES		
Amortization of preproduction expenses	65,428.	20,126.
Debenture interest	37,616	34,163.
Finance charges on lease purchase of equiptment	9,286.	9,285.
Finance charges on building	10,000.	10,821.
Other interest (net)	14,330.	9,227.
Loss on sale of ex fixed assets	-	4,615.
Refinancing charges incurred	7,641.	-
Realized loss on devaluation	-	5.235.
	144,301.	93,472.
NET LOSS OF THE YEAR	399,353.	477,106.
Deficit - beginning of the year	770,073.	292,917.
Deficit - end of the year	1,169,376.	770,023.

INTERNATIONAL SCIENTIFIC LIMITED
BALANCE SHEET AS AT DECEMBER 31, 1969
(expressed in U.S. dollars)

ASSETS	1969	1968
CURRENT		
Cash	$ 40,144.	85.
Accounts receivable	187,509.	118,093.
Stock subscriptions receivable	-	199,196.
Inventories - at cost but not above realizable value	223,031.	116,203.
Prepaid expenses	36,834.	13,795.
	487,518.	447,372.
FIXED		
Cost	586,155.	488,667.
Less accumulated depreciation	107,564.	59,473.
	478,591.	429,194.
DEFERRED		
Finance charges	16,247.	25,532.
Preproduction expense	-	65,428.
	16,247.	90,960.
	$ 982,356.	$ 967,526.

LIABILITIES	1969	1968
CURRENT		
Bank Overdraft	$ 84,737	$ 97,866.
Bank Loans less security	236,403.	-
Accounts payable & accured liabilities	403,109.	212,777.
Accrued interest	33,424.	6,056.
Current portion of long term liabilities	80,319.	70,265.
	837,992.	386,964.
LONG TERM		
Bank Loan less security	-	34,027.
Mortgage	25,961.	28,858.
Lease liabilities	323,617.	366,488.
Convertible debentures	470,205.	455,205.
	819,783.	1,185,551.
Less current portion	80,319.	70,265.
	739,464.	1,115,286.
Capital Deficit		
Capital stock	242,569.	235,256.
Share premium	331,707.	291,016.
Accumulated deficit	(1,169,376.)	(770,023.)
	(595,100.)	(243,751.)
	$ 982,356.	$ 967,526.

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NOTES TO THE FINANCIAL STATEMENTS

1. ISL is contingently liable for a bank loan to an associated company. The proceeds of the loan were used to finance receivables from ISL. This loan was due in November 1969. $26,000

2. The villa, a house included in the fixed assets of the company at a depreciated value of $50,632 was sold in February 1970 for $77,558. The use of these proceeds has been restricted as The Canadian Imperial Bank of Commerce holds a debenture over all of the assets of ISL.

3. The inventories of the company include 13,000,000 memory cores on which a value $65,000.00 has been placed. The company has no immediate need for these cores.

4. The inventories have been valued in the following manner -
   (a) Raw materials - at cost with the exception of items which are obsolete. Obsolete items have no value attached to them.

   (b) Work and materials in progress -
      1. Materials - as for raw materials - with the exception of 13,000,000 memory cores which have been valued at $500/M although their value is doubtful and the cost may not be recovered. A market price is unobtainable at this time.

      2. Core remnants - are not valued.

      3. Labor - The standard hours attached to the work in progress have been valued at 30¢ per standard hour.

      4. Overhead - Only direct overhead is attributed to work in progress at the rate of 58¢ per standard hour.

   (c) Returns for customers - are valued at standard cost.

5. There has been a change in the accounting treatment of -
   (a) Valuation of overhead for work in progress. Inventory was formerly determined on the basis of total absorbation of manufacturing overheads whereas for 1969 and subsequent years only direct manufacturing expenses will be applied as overhead. If the former method had been used in 1969 it would have resulted in a reduced loss of $5,159.56.

   (b) Preproduction expenses were previously being written off over ~~a~~ a period of three years. In 1969 the balance was written off resulting in a decreased deficit to the extent of $32,714.

   (c) Development costs of certain test equiptment was formerly capitalized. In 1969 all test equiptment under development was written off as an engineering expense. In the future products and equiptment being developed will be expensed until proven as useful, at which time they will be capitalized at material cost or market value less marginal profit. This write off recuded profit by $20,323.

6. Cancelled

7. Prepayments for materials as at December 31, 1969 have been treated as a reduction of accounts payable. We have used this practice as all prepayments are to vendors with whom we presently have accounts with debit balances.

8. Included in accounts payable are two notes which are overdue

Micro Minitature	9½%	$19,537.06	due 12/23/69
Buckbee Mears Co	9½%	9,000.00	" 2/ 5/70

9. The Canadian Imperial Bank of Commerce holds a debenture over all assets of the company as well as holding securities of a director as collateral for a loan of $325,000.00. Of the proceeds of this loan $288,596.00 was lent to the director whose securities are used as collateral.

10. The lease on certain equiptment from Granite Leasing Company is technically in default, pending a release for the sale of equiptment in 1968. The lease is also secured by personal securities of the directors.

11. The leased equiptment, referred to in note 10 and the Seawell premises are treated as fixed assets and the total lease payments set up as a liability. The final price of the building has not n been determined although a price of $250,000.00 has been used in x the accounts.

12. There is a contingent liability of approximately $5,000 for shortages in the inventory of customer material.

13. The loss on devaluation in the amount of $31,671 has been written off to capital and accumulated deficit in the conversion of the balance sheet to U.S. dollars.

DX-BC

Defendant's Exhibit BC

PRICE WATERHOUSE & CO.
CHARTERED ACCOUNTANTS
BARBADOS

RECEIVED
JUL 9 1971
MILTON H. ALBERT

21st June, 1971

AUDITOR'S REPORT
to the Members of International Scientific Limited

We have examined the Balance Sheet as at 31st December, 1969 and the Accounts for the year then ended and have obtained all the information and explanations we have required.

In our opinion, according to the best of our information and the explanations given to us, and as shown by the books of the Company:

1. The Balance Sheet and the notes thereto are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1969 and

2. The Profit and Loss Account and the notes thereto present fairly the loss for the year then ended.

(ORIGINAL SIGNED) PRICE WATERHOUSE & CO.

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INTERNATIONAL SCIENTIFIC LIMITED

BALANCE SHEET — 31ST DECEMBER, 1969

(expressed in U.S. dollars)

		1969	1968
A S S E T S			
CURRENT			
Cash		40,144	85
Accounts receivable	201,318		
Less: Provision for doubtful accounts	15,000		
		186,318	118,033
Stock subscription receivable		–	199,196
Inventories - at cost (Note 1)		190,101	120,203
Prepaid expenses		15,572	13,734
		432,135	447,371
NOTES RECEIVABLE (Note 2)		288,597	290,373
FIXED (Note 3)			
At cost		567,535	488,668
Less: Accumulated depreciation		107,564	59,474
		459,971	429,194
DEFERRED			
Finance charges		1,324	25,532
Preproduction expenses (Note 4)		–	65,428
Unrealized loss resulting from devaluation		–	31,671
		1,324	122,631
		1,182,027	1,290,169

	1969	1968
LIABILITIES		
CURRENT		
Bank overdrafts	84,737	97,866
Bank loans (Note 2)	525,000	325,000
Accounts payable and accrued expenses	436,941	212,777
Accrued interest	32,979	6,057
Current portion of long term liabilities	79,868	70,264
	1,158,615	711,964
LONG TERM		
Mortgage (Note 6)	25,961	28,859
Lease liabilities (Note 7).	330,437	366,487
	356,398	395,345
Less: Current portion	79,848	70,264
	276,550	325,081
EQUITY		
CAPITAL STOCK		
Authorised: 500,000 Class "A" shares of N.C. $1 each	250,000	250,000
: 500,000 Class "B" shares of N.C. $1 each	250,000	250,000
	500,000	500,000
Issued and fully paid		
: 240,047 Class "A" shares	123,024	120,217
: 216,823 Class "B" shares	108,411	103,905
	231,435	224,122
Share Premium	331,707	251,016
Accumulated Deficit	(1,271,542)	(729,119)
CONVERTIBLE DEBENTURES (Note 8)	470,835	4[illegible]35
	1,158,990	1,[illegible]

DIRECTOR DIRECTOR

INTERNATIONAL SCIENTIFIC LIMITED

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31ST DECEMBER, 1969

(expressed in U.S. dollars)

	1969	1968
Sales	1,082,010	417,887
Less: Duty, freight and commission	135,218	50,466
Net sales	946,792	367,421
Less: Cost of Sales	1,015,298	532,651
Gross loss	68,506	165,430
Engineering expenses (Note 5)	69,724	43,034
Administration expenses	175,[illegible]	117,351
Marketing expenses	48,[illegible]	52,219
	293,[illegible]	210,204
Operating loss	362,004	375,634
OTHER INCOME		
Amortization of preproduction expenses (Note 4)	69,[illegible]	20,126
Debenture interest	37,[illegible]	34,163
Finance charges on lease purchase of equipment	9,209	2,285
Finance charges on building	3,160	1,820
Refinancing charges	7,041	-
Other interest (net)	21,498	827
Loss on sale of fixed assets	-	4,015
Loss resulting from devaluation, now written off	[illegible],671	5,236
	[illegible],81[illegible]	33,472
Net loss for the year	[illegible],[illegible]	[illegible]
Deficit - beginning of the year	727,[illegible]	[illegible]
Deficit - end of the year	[illegible],[illegible],542	[illegible]

INTERNATIONAL SCIENTIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS — 31ST DECEMBER, 1969

These notes form an integral part of the financial statements

Notes Numbers 1 to 12 relate to the audited financial statements at 31st December, 1969 and are necessary for the interpretation of the financial statements as at that date. Note 13 relates to the disposal of certain assets and liabilities subsequently to 31st December, 1969.

Note 1 — Inventories 150,101

The value placed on inventories reflects the following change in accounting treatment:

Work in progress was valued formerly on the basis of total absorption of manufacturing overhead expense. At 31st December, 1969, only direct manufacturing expenses have been absorbed. This change has reduced the inventory value and increased the loss for the year by U.S. 5,141.

Note 2 — Notes Receivable 288,537 and Bank Loans 525,000

The company has made advances to a shareholder totalling U.S. 288,537, and holds demand promissory notes, signed by the shareholder, covering the full amount. The shareholder's personal assets have been charged by a debenture securing a bank loan of U.S. 325,000 made to the company by the Canadian Imperial Bank of Commerce. The remaining bank loan of U.S. 200,000 is a demand loan from the First National City Bank.

Note 3 — Fixed Assets consist of

	At Cost	Accumulated Depreciation
Buildings	200,529	14,245
Machinery and equipment	233,444	80,269
Furniture and office equipment	36,980	7,170
Other	56,512	5,880
	U.S. 527,465	U.S. 107,564

Included in Buildings is an amount of U.S. 200,000 representing the purchase cost of the Bedwell property. (See also Note 7).

Note 4 Preproduction Expenses

Preproduction expenses were being written off previously over a period of three years. In 1969 the entire balance was written off resulting in an increased deficit of U.S. 32,714.

Note 5 Development Costs

Development costs of certain test equipment were formerly capitalized. In 1969 all test equipment under development was written off as an engineering expense, and this write off increased the deficit by U.S. 20,323.

Note 6 Mortgage 25,361

The mortgage is secured by a demand first equitable mortgage over the corporate house, stamped to cover advances up to U.S. 30,000.

Note 7 Lease Liabilities 330,437

These liabilities comprise:

Lease purchase agreement for the acquisition of capital equipment	73,348
Estimated purchase cost of the Seawell property occupied under an option to purchase agreement, which the Company has not yet exercised.	257,089
(See also Note 13)	$ 330,437

Note 8 Debentures U.S. 470,205

The debentures are unsecured notes for a period of ten years, the earliest issue having been made in August, 1966, and carry interest at the rate of eight per cent per annum. Debentures of U.S. 175,000 are redeemable in U.S. Dollars at any time before maturity at 105 per cent of principal plus accrued interest. The remaining debentures amounting to U.S. 295,205 are redeemable in U.S. Dollars at any time before maturity at 105 per cent of principal in the first year,

reducing by ½ of one per cent each year thereafter, plus accrued interest.

Stock warrants have been issued to the debenture holders which entitle them to purchase shares up to one year after total redemption of their debentures. At 31st December, 1969 rights under warrants were:

	"A" Shares	"B" Shares
At a purchase price of U.S.$1.50	55,938	55,998
" " " " " " $2.00	28,051	28,051
" " " " " " $2.50	30,862	30,799
" " " " " " $5.00	500	500
	115,351	115,348

Note 9 — The Company is an approved export manufacturer under the Industrial Development (Export Industries) Act, 1963, and this status carries the right to exemption from income tax and trade tax for a period of ten years from the official production dates, which are:

Electronic Computer Equipment — 1st January, 1968
Electronic Measuring Devices — 1st July, 1968

Note 10 — At the 31st December, 1969, the Company had a contingent liability for approximately U.S.$ 5,000 in respect of shortages in the inventory of customer material.

Note 11 — The Profit and Loss Account has been charged with an amount of U.S.$ 2,000 which represents the cost of issuing 2,000 class "B" ordinary shares fully paid, to an individual for services rendered to the Company.

Note 12 — The Company has granted stock options which at 31st December, 1969, had not been exercised. These options carry the right to acquire the following shares:

	"A" Shares	"B" Shares
At a cost of U.S.$1.00	4,900	4,900
" " " " $1.50		3,300
" " " " " $2.00		2,000
" " " " " $2.50		1,000
" " " " " $4.00		17,100
	4,900	28,300

Note 13 Subsequent Disposal of Certain Assets and Liabilities

On 2nd March, 1970, the Company entered into an agreement under which certain assets and liabilities were taken over by International Scientific (1970) Limited.

The consideration for the acquisition is U.S. 13.50, for each U.S. 1.00 of profit made in a measuring year which began on 1st April, 1970, with maximum and minimum considerations of U.S. 1,440,000 and U.S. 180,000 respectively.

For acquisition purposes, the values placed on the assets and liabilities were based on an unaudited balance sheet at 31st December, 1969, which was warranted by the Controller of International Scientific Limited, and with only such changes therein as had occurred in the ordinary course of the company's business between 31st December, 1969 and 2nd March, 1970. The warranted values attributed to the assets and liabilities for acquisition purposes were:

ASSETS	U.S. $	LIABILITIES	U.S. $
Cash	40,144	Bank overdrafts	84,737
Accounts receivable less provision 15,000	187,599	Bank loans	525,000
Inventories	221,681	Accounts payable and accrued expenses	403,109
Prepaid expenses	33,134	Accrued interest	33,424
Notes receivable	208,597	Lease liabilities	323,617
Fixed assets less depreciation 107,564	476,591		
Deferred - Finance charges	16,247		

No decision has yet been made for settlement of the differences in values shown by the warranted and the audited accounts at 31st December, 1969.

The corporate house was not included in the agreement, but was sold after 31st December, 1969, and the mortgage liability was discharged out of the proceeds of sale.

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INTERNATIONAL SCIENTIFIC (1972) LIMITED

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EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
MAR 18 1974
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BALANCE SHEET AND ACCOUNTS

31ST MARCH, 1971

AND

STATEMENT OF LOSS FOR THE

MEASURING YEAR ENDED 31ST MARCH, 1971

PRICE WATERHOUSE & CO.
CHARTERED ACCOUNTANTS
BARBADOS

MA-8

PRICE WATERHOUSE & CO.
CHARTERED ACCOUNTANTS
BARBADOS

16th August, 1971

AUDITORS' REPORT
to the Members of International Scientific (1970) Limited

We have examined the Balance Sheet as at 31st March, 1971, the Accounts for the year then ended and the Statement of Loss for the measuring year ended 31st March, 1971, and have obtained all the information and explanations we have required.

In our opinion, according to the best of our information and the explanations given to us, and as shown by the books of the Company:

1. The Balance Sheet and the notes thereto are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st March, 1971.

2. The Profit and Loss Account presents fairly the loss for the year then ended and

3. The Statement of Loss presents fairly the loss for the measuring year ended 31st March, 1971, in accordance with the terms of the Agreement dated 4th February, 1970 and the modifications thereto dated 18th February, 1970 and 2nd March, 1970.

(ORIGINAL SIGNED) PRICE WATERHOUSE & CO.

INTERNATIONAL SCIENTIFIC (1970) LIMITED

BALANCE SHEET — 31ST MARCH, 1971

(expressed in U.S. currency)

ASSETS

CURRENT		
Accounts receivable	465,607	
Less: Provision for doubtful accounts	80,000	
		385,607
Inventories, at the lower of cost or net realizable value		453,221
Prepaid expenses		11,199
		850,027
OTHER		
Goodwill	523,682	
Formation expenses	1,847	
		525,529
FIXED		
Buildings	284,288	
Machinery and equipment	291,787	
Furniture and office equipment	58,338	
	634,413	
Less: Accumulated depreciation	67,580	
		566,833
		$ 1,942,389

LIABILITIES

CURRENT		
Bank overdraft		241,045
Accounts payable and accruals		234,277
Intercompany accounts		1,928,037
		2,403,359
LONG TERM		
Lease liability - building (Note 1)		247,457
EQUITY		
Authorised - 500,000 shares of $1 EC each	$ 250,000	
Issued and fully paid - 2 shares		1
SUBSCRIPTION FOR SHARES		180,000
CAPITAL RESERVE (Note 2)		70,656
PROFIT AND LOSS ACCOUNT - Deficit		(959,084)
		$ 1,942,389

DIRECTOR

Milton H. Albert DIRECTOR

INTERNATIONAL SCIENTIFIC (1970) LIMITED

PROFIT AND LOSS ACCOUNT — FOR THE YEAR ENDED 31ST MARCH, 1971

(expressed in U.S. currency)

Sales - Intra-group		24,110
Other		1,311,492
		1,335,602
Less: Cost of sales		1,452,074
Gross loss		116,472
EXPENSES		
Commercial overheads	239,822	
Company administration	222,451	
Bank and other interest	101,625	
Stock provision	104,379	
Commissions	92,584	
Engineering expenses	15,090	
		775,951
Loss for the year		892,423
Deficit, at beginning of year		66,661
Deficit, at end of year		$ 959,084

INTERNATIONAL SCIENTIFIC (1970) LIMITED

Statement of Loss for the measuring year ended 31st March, 1971 (Note 4)

(expressed in U.S. currency)

Net loss for the year per Profit and Loss Account		$ 892,423
Deduct: Expenses excluded under the provisions of paragraph 6 of the agreement.		
Commercial overheads		
Management services	40,884	
Travelling expenses of Plessey Incorporated personnel	6,315	
	47,199	
Company Administration		
Charges by companies within the Plessey group for company administration and marketing expenses	222,451	
	269,650	
Less: Interest charged under the provisions of the modification to the agreement dated 2nd March, 1970 being 10% per annum on $200,000	20,000	
		249,650
Loss for the measuring year		$ 642,773

INTERNATIONAL SCIENTIFIC (1970) LIMITED

Notes to the financial statements — 31st March, 1971

These notes form an integral part of the financial statements

NOTE 1. Lease liability - building

The property at Seawell is occupied under an option to purchase agreement and although the option has not yet been exercised it is the Company's intention to acquire the property.

NOTE 2. Capital Reserve

The Capital Reserve arose through certain liabilities, which should have been assumed by this Company, being discharged by other group companies. It is not intended that repayment will be made to the group companies concerned.

This expenditure is included in the Balance Sheet under the heading of "Goodwill".

NOTE 3. The Company has acquired the status of an approved export manufacturer under the Industrial Development (Export Industries) Act, 1963, which was formerly held by International Scientific Limited, and this status carries the right to exemption from income tax and trade tax for a period of ten years from the official production dates, which are:

Electronic Computer Equipment 1st January, 1968

Electronic Measuring Equipment 1st July, 1968

NOTE 4. International Scientific (1970) Limited was incorporated on 3rd March, 1970 at the instigation of Plessey Incorporated for the purpose of implementing the provisions of the agreement made between International Scientific Limited and Plessey Incorporated dated 4th February, 1970 and modified on 18th February, 1970 and 2nd March, 1970.

In addition to the consideration under Paragraph 2 of the above mentioned agreement, International Scientific Limited is entitled to certain additional money depending upon the amount of profits derived during the year commencing 1st April, 1970 which is called "the measuring year".

PRICE WATERHOUSE & CO.
CHARTERED ACCOUNTANTS

P.O. BOX 634C
BECKWITH PLACE,
LOWER BROAD STREET,
BRIDGETOWN,
BARBADOS.

Defendant's Exhibit BG

COPY

DX BG

5th December, 1972

Mr. Seth H. Dubin,
Sinsheimer, Sinsheimer and Dubin,
767 Fifth Avenue,
New York, N.Y. 10022,
U.S.A.

Dear Seth,

Plessey Memories Ltd.

Thank you for your letters of 31st October, and 1st November, concerning the December, 1969 and June 1970 accounts.

With this letter I am enclosing the following schedules:

Schedule 1. Comparison of Warranted and audited balance sheets, 1969.

Schedule 2 and 3. Explanatory notes on Schedule 1.

Schedule 4. A summary of the increase in the net worth deficit.

Schedule 5 and 6. A history of the way in which the Goodwill account built up.

Schedule 7. A history of the provision for doubtful debts.

I would draw your attention particularly to the item of $54,494 shown on Schedule 6, being liabilities found subsequently not to exist. The working schedule supporting this figure is in the possession of Mr. E. Fenty, the Controller in Barbados, and by copy of this letter I am asking him to let you know the extent to which they were included in the liabilities at 31st December, 1969, in the warranted and audited balance sheets at that date. As you will appreciate, their inclusion could have an effect on the deficit net worth shown on Schedule 1.

Please let me know if you require any further information.

Yours sincerely,

K.P. Jones

KPJ/lrs
enc.

INTERNATIONAL SCIENTIFIC LIMITED — SCHEDULE 1

PARISON OF WARRANTED AND AUDITED BALANCE SHEETS AS AT 31ST DECEMBER, 1969

(U.S. DOLLARS)

	WARRANTED	AUDITED	INCREASE (DECREASE)	
SETS				
RRENT				
Cash	40,144	40,144	-	
Accounts receivable	202,509	201,318	(1,191)	Point
Less: Provision for doubtful accounts	(15,000)	(15,000)	-	
Inventories	223,031	150,101	(72,930)	Point
Prepaid expenses	36,834	35,572	(1,262)	Point
OTES RECEIVABLE	-	288,597	288,597	Point
XED ASSETS (net)	478,591	479,971	1,380	Point
FERRED FINANCE CHARGES	16,247	16,247	-	
TOTAL ASSETS	$ 982,356	1,196,950	214,594	
IABILITIES				
RRENT				
Bank overdrafts	84,737	84,737	-	
Bank loans	236,403	525,000	288,597	Point
Accounts payable and accrued expenses	403,109	436,931	33,822	Point
Accrued interest	33,424	32,079	(1,345)	Point
Current portion of long term liabilities	80,319	79,868	(451)	
ONG TERM	269,259	276,530	7,271	Point
TOTAL LIABILITIES	$ 1,107,251	1,435,145	327,894	
DEFICIT NET WORTH	$ (124,895)	(238,195)	113,300	

Point 1

The reduction of $1,191 represents an amount supposedly due from Intersil Barbados Limited, which, for audit purposes was not considered to be recoverable, and was written off.

Point 2

The major part of this decrease was due to errors in the calculation of inventory values, as shown below:

Item code 13-015-01. Quantity taken as 13,000,000 instead of 1,300,000 - Reduction	(58,50
Value of items taken into both material inventory and work in process inventory, thus being duplicated - Reduction	(26,15
	(84,65
Goods in transit not brought to account - Increase (See Point 6 below)	11,72
Net Reduction	$ 72,93

Point 3

The reduction is the net difference of small adjustments made as a result of audit testing. The amounts involved were not significant.

Point 4

In the warranted accounts, the Notes Receivable were deducted from Bank Loan. In actual fact, the proceeds of the Notes Receivable were not paid until March, 1970, and therefore the gross asset and liabilities were reinstated in the audited 1969 accounts. This transaction has no effect on net worth.

Point 5

This increase of $1380 resulted from an audit reclassification of expenditure.

Point 6

The increase of $33,822 is accounted for as follows:

1. Goods in transit liability (See Point 2 above)	11,725
2. Expense items charged to revenue	2,460
3. Transfer to Granite Leasing of overdue long term liability instalments (See Point 8 below)	(6,668)
4. Adjustment of land taxes	(947)
5. Trade liability not accepted by ISL, reversed	(5,213)
6. Additional liabilities located through audit testing	32,465
Total increase	$ 33,822

Point 7

These two items are the result of mathematical audit testing, and are relatively insignificant.

Point 8

The increase of $7,271 represents.

Transfer of overdue instalments (see Point 6 above)	6,668
Other audit adjustments	603
	$ 7,271

SCHEDULE 4

SUMMARY OF INCREASE IN NET WORTH DEFICIT

INCREASES		
Point 1 - Debt written off	1,191	
Point 2 - Overstatement of inventory	84,655	
Point 3 - Adjustment of prepaid expenses	1,262	
Point 6 - Expense items charged to revenue	2,460	
- Additional liabilities located	32,465	
Point 8 - Adjustment of long term liabilities	603	
		122,636
DECREASES		
Point 5 - Expenditure capitalised	1,380	
Point 6 - Adjustment of land taxes	947	
- Trade liability not accepted	5,213	
Point 7 - Mathematical adjustments	1,796	
		9,336
NET INCREASE		$ 113,300

HISTORY OF GOODWILL

AT TAKEOVER

ASSETS		
Cash	2,820	
Accounts receivable	245,444	
Less: Provision for doubtful accounts	(13,649)	
Inventories	125,840	
Prepaid expenses	30,894	
Note receivable	288,597	
Fixed assets	535,501	
Deferred finance charges	14,699	
		1,230,1
LIABILITIES		
Bank overdraft	277,711	
Bank loan	325,000	
Accounts payable	445,050	
Accrued interest	39,883	
Lease liabilities	322,527	
		1,410,1
EXCESS OF LIABILITIES		180,0
Consideration paid by Plessey		180,0
		360,0
SUBSEQUENT ADJUSTMENTS		
Indirect materials written off	22,517	
Prepaid supplies written off (As instructed by Plessey)	27,801	
Test fixtures and core plates written off (by Plessey)	5,938	
I.B.M. Cable - provision	13,000	
Data Core - cores written off	1,975	
		71,2
Audit adjustments:		
Lease liability	2,006	
Unrecorded liabilities	15,213	
		17,2
		448,4
Plessey expenses in U.S.A. which were paid by other companies, but not charged to Barbados (see June 1970 Balance Sheet Note 3)		70,6
GOODWILL AT 30TH JUNE, 1970		$ 519,1

SCHEDULE 6

Goodwill - balance at 30th June, 1970	519,131
Further adjustment to lease liability	4,551
Goodwill - balance st 30th June, 1971	523,682
Items included in liabilities at takeover date which subsequently proved to be non-existent	(54,494)
Depreciation of building - adjustment as of takeover date on decision not to exercise purchase option	15,575
GOODWILL - BALANCE AT 30TH JUNE, 1972	$ 484,763

SCHEDULE 7

PLESSEY MEMORIES LIMITED

PROVISION FOR DOUBTFUL DEBTS AT 30TH JUNE, 1970

		Pre 31.12.69
Burroughs	94	94
Cambridge Memories	538	-
Dataram	399	399
Documentor Sciences Corp.	(270)	(270)
Dura	3,700	3,700
Hewlett Packard	2,300	-
Honeywell	1,732	-
I.B.M. - Kingston	137	-
Information Control	4,598	3,599
Micro Systems	(92)	-
Motorola	638	-
Sinnott Co.	(11)	(11)
Standard Logic	52,482	(103)
Standard Memories	15,000	-
$80,000 provided against:	$ 81,245	$ 7,408

Notes: The Standard Logic account started with a credit of $103 in December, 1969, and built up from February 1970 onwards.

Standard Memories account started up in February 1970.

SUBSEQUENT MOVEMENT

Balance as above		80,000.00
Pre-1969 staff debt written off	2,157.31	
Post 1969 trade debts written off	10,750.93	
		12,908.24
Balance transferred to Plessey - St. Anna in 1971/72		$67,091.76

CH

Defendant's Exhibit CH

Dec 23

4444 West 76th Street, Minneapolis, Minnesota 55435 612/920-8800

DATA 100
CORPORATION

3 December 1969

Mr. E. Allan Kovar, President
International Scientific Limited
P. O. Box 625, Bridgetown
Barbados, West Indies

Dear Mr. Kovar:

The purpose of this letter is to call your attention to certain provisions of the Loan Agreement dated September 24, 1969 between International Scientific Limited and DATA 100 Corporation pursuant to which a loan of $200,000 was made by First National City Bank of New York to International Scientific Limited.

Since DATA 100 Corporation and International Scientific Limited did not sign a Definitive Agreement for the acquisition of International Scientific Limited by DATA 100 prior to December 1, 1969, according to the Loan Agreement, International Scientific Limited has an obligation to repay the loan (plus any accrued and unpaid interest) within 60 days from December 1, 1969 and upon repayment DATA 100 has an obligation to return the International Scientific Limited stock held as security.

Since the loan to International Scientific Limited was actually made by the First National City Bank of New York (and not by DATA 100), our interest is only in being relieved of the loan guarantee obligation by DATA 100 to the First National City Bank of New York. Upon receiving such assurance from the bank (which might be resolved by having some other party make adequate guarantees on the loan), we will arrange for prompt delivery of the International Scientific Limited stock we hold as security to you or your designee.

We would appreciate an early reply from you regarding settlement of this matter.

Very truly yours,

DATA 100 Corporation

Edward D. Orenstein
President

EDO:slr

cc: R. N. Carlen
T. Moe
T. Putnam
H. D. Shapiro

DXCI

Defendant's Exhibit CI

CABLE INTERSIL BARBADOS

International Scientific Ltd.

P. O. BOX 625 BRIDGETOWN BARBADOS W.I.
TELEPHONE 87133
TELEX: ISL BAR W.8235

20th April, 1970.

William Tucker, Esq.,
C/o Tucker Associates,
1018 Derywdd Lane,
Berwyn, Pa. 19312,
U.S.A.

Dear Bill,

I have just been reviewing the 1970 sales forecast which we developed as a result of the inputs from the reps at our December 1969 meeting (copy attached).

It is quite obvious that we need more accurate information. What do you suggest?

Regards,

.....
E. Allan Kovar
President.

EAK/js

Encl. (1) FORECAST PLANT CAPACITY BY MONTHS + (HEWITT)
(2) LOAD IN PRESENT BACKLOG + (KOVAR)
(3) WHAT'S LEFT IS ALL WE HAVE AVAILABLE TO SELL + (TUCKER) WITH A 60-90 DAY LEAD OF COURSE +
(4) IN PARALLEL WITH (1) I WILL GENERATE A "BOOKINGS POTENTIAL" FORECAST (FATHOM THAN A SALES BOOKINGS FORECAST)

BT

1970 SALES FORECAST

MS = Mat'l Supplied; PMS = Partial Mat'l Supplied; NMS = No Mat'l Supplied

Burroughs	MS	$30,000	
Cambridge	NMS	269,000	500 @ $538 R-D PROTOTYPE FAILED
Collins/DALLAS	PMS	11,340	70 @ $162 WILL GET
CDC	MS	126,000	1000/mo. @ $14/9 mos.
Compat	NMS	250,000	500 @ $500 BOOKED
Datacraft/BARBADOS	MS	60,000	FOB, Bridgetown. 100/wk @ $25 for 6 mos.
Datatron	MS	81,000	" " $9000/mo/9 mos. HOUSTON A/C
Documentor	NMS	12,000	
EDCO	NMS	6,000	
GE/LYNCHBURG	NMS	50,000	500 @ $100
H-P (L)	NMS	30,000	500 @ $60
H-P (C)	NMS	540,000	450 @ $1200
Honeywell	NMS	75,000	1500 @ $50
IBM (C)	MS	90,000	No duty CUSTOMER ITEMS CANCELLED
IBM (K)	MS	240,000	FOB, Bridgetown. 10,000/mo/6mos. 30,000/mo. 6 mos.
ICC	NMS	180,000	50 @ $3600 CANCELLED DUE TO DELIVERY
Kicksort	NMS	50,000	50 @ $1000
Librascope	NMS	65,000	50 @ $1300
Magnavox	NMS	670,000	100 @ $6700
MDS/Soroban	NMS	75,000	500 @ $150
Microsystems	NMS	117,000	300 @ $90 300 @ $300
Medicon	NMS	17,300	
Motorola	NMS	50,000	100 @ $500
Nuc. Chicago	NMS	100,000	100 @ $1000
Nuc. Data	NMS	77,700	50 @ $569 50 @ $985
Packard Instr.	NMS	60,000	50 @ $1200
Raytheon	NMS	88,500	150 @ $590 BOOKED, THEN CANCELLED DUE TO NON-DELIVERY
SLI	PMS	25,000	
SMI	PMS	180,000	
		$3,625,840	

ISL supplied material work	$2,782,500	(76%)
Customer supplied material work	627,000	(18%)
Partials	216,340	(6%)

5 Dec. 1969

	ISL SALES POTENTIAL	BOOKINGS FORECAST	12 MONTH STARTING 6/1/70
NEW ENGLAND	$ 1,397,000.	$ 489,000.	
NEW YORK	1,131,000.	575,000.	
MIDWEST	1,555,000.	735,000.	
NORTHWEST	1,300,000.	720,000.	
SOUTHERN CAL.	1,680,000.	530,000.	
SOUTHWEST	112,000.	10,000.	
CANADA, MIDATLANTIC, & FLORIDA	895,000.	230,000.	
TOTAL POTENTIAL:	$ 8,070,000.	$ 3,289,000.	
(IDENTIFIABLE) PROGRAMS IN 2ND 6 MONTHS: (NOT NOW KNOWN)		+10% = 329,000.	
TOTAL BOOKINGS, NEXT 12 MONTHS:		$ 3,618,000.	

Defendant's Exhibit CJ

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SALES POTENTIAL 6/70 - 5/71

COMPANY PROGRAM	PRODUCT DESCRIPTION	ISL SALES POTENTIAL	CAPTURE ODDS	BOOKINGS FORECAST	CAPTURE MONTH	MONTHLY RATE	UNIT PRICE	COMMENTS
JEYWELL/ BOSTON	3|4 42X100	$ 27,000.	65%	$ 18,000.	SEPT.	2.5	$ 90.	PILOT DELIVERY
	8K VERSION OF ABOVE 4K	15,000.	80	12,000.	MAR. OCT.	20	$ 150.	PROTOTYPE IN JU
		300,000.	50	150,000.	JAN	200	150.	PRODUCTION
JEYWELL/ PAM/MCHAR E 350	1KX10 4W 31-108	100,000.	50	50000.	JULY	50	100.	PROTOTYPE SEPT
	4KX9 4W 30 MIL.							
JEYWELL/ LAWRENCE	CABLE ASSYS.	250,000.	40	100,000.	SEPT. DEC. MAR. JUN.	2000.	5.	SUBJECT TO QUALIFY DELIV ON INITIAL PO ORDER INCREA
MDOS	1KX8 3|4 PLANAR 2040	20,000.	75	15,000.	JUN	50	75.	FOLLOW ON.
	4KX8 3W	70,000.	50	35,000.	OCT.	100	70.	FOLLOW ON.
		250,000.	20	50,000.	NOV. MAY	20	500.	SUBJECT TO
ELECTRICS	1KX16 4W 30	35,000.	20	7000.	NOV.	5	175.	LITTON IS SO
	4KX16 3W 30	80,000.	40	32,000.	MAY.	10	400.	PROTOTYPE IN J
TRIDGE MEMORIES	4KX16 3|4 PLANAR 2040	250,000.	20	50,000.	OCT.	10	500.	RESUME PROTOTYP
IC	4KX18 3|4	800,000.	10	80,000.	JAN	20	800.	PROTOTYPE FIE

Defendant's Exhibit CL

TO: SHAREHOLDERS OF SCIENTIFIC HOLDING COMPANY LTD.
(formerly International Scientific Ltd.)

This is to inform you that the agreement between INTERNATIONAL SCIENTIFIC LTD. and the PLESSEY CO. LTD. dated February 4, 1970, was amended by letter agreements dated February 18, 1970, and March 2, 1970. I first became aware of the amendments on or about June 14, 1970, when I received a copy of a letter from Warren J. Sinsheimer, president of PLESSEY, INCORPORATION, addressed to INTERNATIONAL SCIENTIFIC LTD. giving notice that PLESSEY was "exercising its right to assume complete management control (of ISL), forthwith," in accordance with the provisions of the agreement dated February 4, 1970, as modified by letter agreement dated March 2, 1970.

The takeover was upon conditions imposed on the "measuring year", in an amendment demand by PLESSEY at the last minute as a condition to close. These were not known to me, and if known, would not have been acceptable. Obviously, I did not attend the negotiations, was not consulted, and cannot determine as a matter of hindsight - how I would have reacted.

I requested a conference with Mr. Sinsheimer to discuss the reasons for the PLESSEY takeover and the many problems involved. He first refused and then agreed to such a meeting, which took place July 13, 1970.

During the meeting we discussed the conditions leading up to the PLESSEY assumption of management responsibility and our rights as shareholders of ISL (now Scientific Holding Company Ltd.) to receive reports as needed to evaluate the good faith management of PLESSEY.

I took the position that the amendments to the agreement, under which PLESSEY assumed the management, were not made with the approval of the shareholders, and hence the assumption of management by PLESSEY imposed upon PLESSEY an extraordinary responsibility to reach the profit goal of $360,000 for the measuring year or be prepared to redress the shareholders for any damages sustained as a result of its failure.

While Mr. Sinsheimer (who, incidentally, I found quite impressive) would not agree to furnish your company or its officers with such financial information and rejected the proposition that PLESSEY was a trustee for the benefit of ISL shareholders, he did express, several times, his confidence that profits of the Barbados facility, as managed by PLESSEY, will be such that the maximum payment under our contract will be made by PLESSEY next spring.

R. N. C.

cc: Directors

DX CM

Defendant's Exhibit CM

AFFIDAVIT OF JULIUS LEWIS

Julius Lewis, being first duly sworn on oath, deposes and says:

1. I am a partner in the Chicago law firm of Sonnenschein Levinson Carlin Nath & Rosenthal. I, together with Harold D. Shapiro, also a partner in the same firm, represented Scientific Instruments, Inc. (ISL) in connection with the sale of ISL's business and assets to Plessey Company Limited pursuant to the contract in suit.

2. Following several meetings in New York at which no drafts of a contract were exchanged, my firm received in the mail on or about January 16, 1970 the initial draft of a purchase agreement, together with a covering letter from Seth Dubin, Plessey's attorney with the firm of Sinsheimer, Sinsheimer and Dubin.

3. Following the receipt of the January 16 draft and prior to the closing in Barbados on March 2, I had twelve long distance telephone conversations with Plessey's attorney, Seth Dubin, and one long distance telephone conversation with Plessey's financial officer, Milton Albert. These conversations related to the terms of the purchase agreement and changes in and modifications of the initial draft contract and the terms of closing. The dates of the conversations were January 19, 20, 21, 22, 26 and 30 and February 2, 3, 4, 16, 17, 25, and 26. In each instance, except for the January 30 conversation when I was in Los Angeles, the call was placed or received by me in my office in Chicago.

4. A second draft of contract was also prepared by Dubin and was transmitted to me on or about January 30. The revised contract provided, among other changes, for operation of the

ONLY COPY AVAILABLE

business by ISL management during the measuring year (paragraph 5d); whereas, the initial draft provided English Plessey would continue the business itself or through a subsidiary and was silent as to ISL management. The original agreement provided for payment in English Plessey shares; the second and final drafts provided for payment in U.S. dollars.

5. On February 2 and 3 in long distance telephone calls between myself and Dubin still further changes in the purchase agreement were negotiated and agreed to. These were: (1) payment of debenture interest by Plessey from contract date to date of closing; (2) provision for arbitration by an independent auditor in the event of a disputed Plessey directive; (3) provision for a three months' averaging to determine whether $15,000 per month profit was earned (under paragraph 5) and (4) inclusion of cable harness business and other electronic assemblies as part of the business of ISL from which profit could be generated during the measuring year.

6. The purchase agreement was executed on February 4 and provided for a March 2 closing date. Following that I had further long distance telephone conversations (during which I was in Chicago) with Seth Dubin regarding modification and clarification of the minimum earnings language in paragraph 5d and substitution of U.S. Plessey for English Plessey as the party to the contract. These changes were confirmed by me by letter agreement dated February 18, 1970, a copy of which is attached to this affidavit.

7. Thereafter I had three further long distance conversations -- two with Dubin and one with Albert -- with regard to the closing.

J. Lee Hudson

Subscribed and sworn to
before me this 14 day
of December, 1971.

Notary Public

E 353

[illegible] DIVISION CANNON MILLS CO. INCORPORATED
[illegible] WEST WASHINGTON STREET, CHICAGO, ILL. 6[illegible]
TELEPHONE ANDover 3-6600

February 18, 1970

Seth M. Dubin, Esq.
Sinsheimer, Sinsheimer and Dubin
660 Madison Avenue
New York, New York 10021

Dear Seth:

This will acknowledge our understanding that the Agreement dated February 4, 1970, between your client, The Plessey Company Limited, and our client, International Scientific Limited, is modified in the two following respects:

1. International Scientific Limited consents to the substitution of Plessey Incorporated, a Delaware corporation, for The Plessey Company Limited wherever the name of The Plessey Company Limited appears in the contract.

2. Paragraph 5d in the Agreement as signed inaccurately expressed the understanding of the parties and should read as follows:

> d. The present management of ISL shall operate the business during the measuring year and shall have the maximum freedom to operate the business in a manner which will produce, in the judgment of such management, the maximum profit available provided, however, that any policy directive issued by the directors of PLESSEY shall be complied with. Should PLESSEY propose any course of action which would be detrimental to attaining $360,000

COPY

profits during the measuring year ISL management shall have the option of requiring prior to commencement of such course of action that the net additional expenditure of ISL in pursuing such course over and above what it would have incurred if it had not pursued such course be excluded in determining profits. Notwithstanding the foregoing, if ISL profits commencing with the third calendar month of the measuring year average less than Fifteen Thousand ($15,000) U.S. Dollars per month or if there have been three consecutive months of losses during that measuring year (excluding the first two months thereof), this subparagraph shall no longer apply and PLESSEY shall have the right to assume full management responsibilities. In such event, however, PLESSEY shall be obligated to continue the business of ISL during the measuring year in good faith.

Your signature on a copy of this letter will acknowledge the assumption by Plessey Incorporated of all the obligations of The Plessey Company Limited under the Agreement and that Plessey Incorporated will have all of The Plessey Company Limited rights under the Agreement.

Your signature will also acknowledge that paragraph 5d shall forthwith be deemed amended to read as it does in this letter.

Very truly yours,

SONNENSCHEIN LEVINSON CARLIN NATH & ROSENTHAL

By Julius Lewis
Julius Lewis

ACCEPTED AND AGREED TO
THIS 20th DAY OF
February 1970

Sterling Securities Corp.

by Seth H Dubin
Attorney for
The Plessey Company Limited
and Plessey Incorporated

COPY

Certificate of Service

On this ____ day of December, 1971 at _____ p.m. o'clock a copy of the foregoing Affidavit of Julius Lewis was received by our office.

D'Ancona, Pflaum, Wyatt & Riskind

BY: _____

Defendant's Exhibit DJ

F. Fail DX DJ —

TO Bill Tucker
Tucker Associates

FROM V. J. HUNTOON ASSOCIATES, INC.
272 CENTRE STREET
NEWTON, MASS. 02158
Tel. Bigelow 4-5871

SUBJECT: Honeywell - Lawrence (Bill Morrison) DATE: 6/11/70

FOLD

№ 15055

Dear Bill:

A quick memo to bring you up to date on Bill's trip to ISL. I am attaching a copy of L. Martin's report on his OA survey. As you can see it is a bust. Bill is holding this together by requesting that Honeywell take a look at cables which were to be shipped. It was a weird trip as apparently there were so many loose ends, nobody had a firm handle on anything. In short, Allan should have somebody on that cable program with full authority to order, test, produce and ship. Bill said some of the holes in the situation were most unbelievable. However, I will cover in more detail when I see you. He did not note that Allan asked for more business and Bill thought it kind of weird in that we had nothing going to prove anything as yet. I am passing this on to you, with the report, so you can take what steps you think are necessary. If you want me to write a letter I will and make it heavy. But you may want to do the pushing on this one. Let me know your plan of attack. If you think I should, I sure will. A personal talk with Bill M., may be the best at this moment. In meantime I am picking up 1st shipment for Bill's staff meeting of 12th. That may hold the thing together for the first brother, and keep us intact. I should also note they saw the memory facility and were much impressed and feel that we have all the capability to be just as effective in the cable area as we are in the stringing area. That is it quick like. Will look forward to your comments. Thanks and best regards.

PLEASE REPLY TO SIGNED Vince Huntoon

Honeywell - File

DATE SIGNED

THIS COPY FOR PERSON ADDRESSED

GRAYARC CO., INC., BROOKLYN, N. Y. 11232

DEAR FRANK
THIS A VERY SAD STORY
RE: HONEYWELL/LAWRENCE CABLES
BUT THE REAL DANGER IS FOR ME
TO BE NAMED CORRESPONDENT
INVOLVED IN GOOD MONEY
INTO A MINED ... FIASCO

Defendant's Exhibit DL

REPLY MESSAGE

DX DL

THIS FORM AVAILABLE FROM GRAYARC CO., INC., 802 THIRD AV., BROOKLYN, N. Y. 11232

TO Bill Tucker
Tucker Associates

FROM
V. J. HUNTOON ASSOCIATES, INC.
272 CENTRE STREET
NEWTON, MASS. 02158
Tel. Bigelow 4-5871

SUBJECT: Honeywell - Lawrence, Mass. (Bill Morrison)

DATE: 6/12/70

FOLD ↑ Dear Bill:

№ 3364

A quick memo to bring you up to date on my visit to Lawrence again this AM. I called STC and found that the shipment of cables was sent to Logan and I picked up early this AM and hand carried to Bill for his 10:30 AM meeting. They also received a couple of types on thursday PM. I stayed for results of meeting. They were not happy and there is still much to be done. The facts are as follows:

1. The obvious point is that there has been no one man placed in charge of that cable program and as a result inertia appeared to have set in. For months I continually asked for status and asked if there were any problems. The answer was always that all is fine and everything under control. When the boys hit there last week, there was nothing, per the copy of their QA report.
2. There is no direction given to the program. They do no have any methods outlined. There was no QA manual or writeup. Bill and the QA man volunteered to assit by suggesting that a couple of the ISL come up to Lawrence this next week for a day or so and spend time in their production. They will get everything first hand and it would be the best investment ISL can make. Too much is at stake at Honeywell not to do it. Suggest you get to Allan and get it up. I presume Carol would be one to come as he apparently is the guy closest as well as Michalski the QC man. He said he was going to prepare a QC write up. Suggest he be hit fast to get the write up complete and have in hand when visiting Honeywell. We must hit and hit hard. Also when they come up they must have a status report on all cables, showing what is done, where the unfinished stands and what the shortages are. In short they should see the production and QC at Honeywell and learn something. The impact is that there is no MEMMONS system and no DIRECTION. Do get on this ASAP and get a visit underway for next

PLEASE REPLY TO ——→ SIGNED

3. A quick note on some points per the cables sent, they did not use fire resistant markers and the workmanship could be better. I am sure with the visit to Lawrence they willlearn a great deal and it will be reflected in savings to ISL. Bill also advised that they have received some cables from their other vendor (california) and those look quite well. Based on capability in core production the cable end should also get to be as good. What we have to do now is get direction and methods into the program, Bill is holding the fort for us, but we must produce and quick.
4. Another point is the accuracy of stated delivery. Things apparently do not always go when they say and as a result shipments can be days or weeks late. Closing this loop would be a big help in the communications gap.

That is it Bill. Suggest you give me a call over the weekend. You have the R.I. number. Must get action on ISL visit this next week so please expedite the situation. Thanks much and best regards.

Carol

Vinco Huntoon

DATE | SIGNED

Defendant's Exhibit DT

17

INTERNATIONAL SCIENTIFIC LIMITED

D

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
MAR 20 1974

D

DT

FINANCIAL STATEMENTS

31ST DECEMBER, 1968

PRICE WATERHOUSE & CO.

CHARTERED ACCOUNTANTS

B A R B A D O S

PRICE WATERHOUSE & CO.
CHARTERED ACCOUNTANTS
BARBADOS

April 3, 1969

AUDITORS' REPORT
to the members of International Scientific Limited

We have examined the Balance Sheet as at 31st December, 1968 and the Accounts for the year then ended, which are in accordance with the books of the Company.

We have not been able to satisfy ourselves that two items classified in the Balance Sheet as long term liabilities, and amounting in total to $790,000, are in fact long term and not current liabilities.

With this exception, we have obtained all the information and explanations we have required, and in our opinion, according to the best of our information and the explanations given to us:

1. The Balance Sheet, with the notes thereto, is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1968, and

2. The Profit and Loss Account and the notes thereto present fairly the loss for the year then ended.

(ORIGINAL SIGNED)

INTERNATIONAL SCIENTIFIC LIMITED

BALANCE SHEET — 31ST DECEMBER, 1968

(expressed in Eastern Caribbean currency)

A S S E T S

	U.S	1968 EC	1967
CURRENT			
Cash	83	170	2,884
Accounts receivable	118093	236,186	83,666
Stock subscriptions receivable	199196	398,392	--
Inventories - at cost	116203	232,406	73,257
Prepaid expenses	13794	27,589	14,970
		894,743	174,777
NOTES RECEIVABLE (Note 1)	290973	581,945	406,509
FIXED (Note 2)			
At cost	488667	977,335	1,020,242
Less: Accumulated depreciation	59473	118,947	65,712
	429194	858,388	954,530
DEFERRED			
Finance charges	25,532	51,064	69,635
Preproduction expense (Note 3)	65428	130,857	171,109
Unrealized loss resulting from devaluation	31,671	63,342	73,813
	121621	245,263	314,557
		$2,580,339	$1,850,373

	1968		1967
L I A B I L I T I E S			
CURRENT			
Bank overdraft	195,732	97,866	--
Accounts payable and accrued expenses	425,554	212,777	160,090
Accrued interest	12,113	6,056	9,466
Note payable	--		27,388
Current portion of long-term liabilities	140,529	70,264	108,902
	773,928	386,964	305,846
LONG TERM			
Bank loan (Note 1)	650,000		532,028
Mortgage (Note 4)	57,716		42,000
Lease liabilities (Note 5)	732,975		783,727
	1,440,691		1,357,755
Less: Current portion	140,528		108,902
	1,300,163		1,248,853
EQUITY			
Capital Stock			
Authorised: 500,000 Class 'A' shares of $1 each	500,000		150,000
500,000 Class 'B' shares of $1 each	500,000		150,000
	1,000,000		300,000
Issued: 240,434 Class'A' shares of $1 each fully paid	240,434		72,000
207,810 Class'B' shares of $1 each fully paid	207,810		61,500
	448,244		133,500
Share Premium	582,032		--
Accumulated Deficit	(1,454,438)		(500,226)
	1,649,929		1,187,973
CONVERTIBLE DEBENTURES (Note 6)	930,410		662,400
	$2,580,339		$1,850,373

_____ Director _____ Director

INTERNATIONAL SCIENTIFIC LIMITED

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31ST DECEMBER, 1968

(expressed in Eastern Caribbean currency)

	1968	1967
Sales	835,774	250,546
Less duty, freight and commission	100,932	779
Net sales	734,842	249,767
Cost of sales	1,065,701	408,901
Gross loss	330,859	159,134
Research and development expenditure	96,067	--
Administration expenses	235,903	130,758
Marketing expenses	104,438	102,145
	436,408	232,903
Operating loss	767,267	392,037
OTHER EXPENSES		
Amortization of preproduction expenses (Note 3)	40,253	56,841
Debenture interest	68,326	21,424
Finance charges on lease purchase of equipment	18,570	12,157
Finance charges on building	21,641	5,000
Other interest (net)	18,454	10,962
Loss on sale of fixed assets	9,230	581
Realized loss on devaluation	10,471	1,224
	186,945	108,189
Net loss for the year	954,212	500,226
Deficit - beginning of the year	500,226	--
Deficit - end of the year	$1,454,438	$500,226

INTERNATIONAL SCIENTIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS — 31ST DECEMBER, 1968

These notes form part of the Accounts

Note 1 The Company has a bank facility up to a maximum of $750,000 which is secured upon the personal investment holdings of a shareholder. The Company has made advances to that shareholder totalling $581,945 and holds demand promissory notes, signed by the shareholder, covering this amount.

Note 2 Fixed Assets consist of:

	At cost	Accumulated Depreciation
Buildings	508,654	18,191
Machinery and equipment	331,392	85,958
Furniture and office equipment	38,067	7,339
Other	99,222	7,459
	977,335	118,947

Included in Buildings is an amount of $500,000 representing the purchase cost of the Seawell property which is based on preliminary estimates given by the Barbados Development Board. The property is occupied under an option to purchase agreement and although the option has not been exercised it is the Company's intention to acquire the property. At 31st December, 1968 the estimated liability for acquisition cost was $458,212.

Note 3 The Company has changed its basis of writing-off deferred preproduction expense. If the basis used in the previous year had been applied in 1968, the net loss for the year would have been increased by $35,535.

Note 4 The mortgage is secured by a demand first equitable mortgage over the corporate house and is stamped to cover advances up to $60,000.

Note 5 The Company has entered into a lease/purchase agreement for the acquisition of capital equipment. The liability of the Company at 31st December, 1968 amounted to $220,044 and payment is being made by monthly instalments of $6,668.

Note 6 The debentures are unsecured notes for a period of ten years, the earliest issue having been made in August, 1966, and carry interest at the rate of eight per cent per annum. They are redeemable in U.S. Dollars at any time before maturity at 105 per cent of principal plus accrued interest.

Stock warrants have been issued to the debenture holders which entitle them to purchase shares up to one year after total redemption of their debentures. At 31st December, 1968 rights under warrants were:

	A SHARES	B SHARES
At a purchase price of U.S.$1.50	55,998	55,998
" " " " " U.S.$2.00	28,051	28,051
" " " " " U.S.$2.50	30,802	30,799
	114,851	114,848

Note 7 The Profit and Loss Account has been charged with an amount of $2,795 which represents the cost of issuing 2,795 $1 shares fully paid to individuals for services rendered to the company.

Note 8 The Company has granted stock options to certain key personnel which extend for varying periods from October 1968 to 1970. The options are dependent upon the personnel being employed with the company on the dates when the options are exercisable. At 31st December, 1968 options granted covered 2,000 class B shares to be issued without cost to one employee and 10,100 class B shares issuable as follows:

At a cost of U.S.$1.50	7,400 Shares
" " " " U.S.$2.00	1,700 "
" " " " U.S.$2.50	1,000 "
	10,100

Note 9 The Company is an approved export manufacturer under the Industrial Development (Export Industries) Act, 1963, and this status carries the right to exemption from income tax and trade tax for a period of ten years from the official production date, which is 1st July, 1968.

ote 10 At 31st December, 1968 the company was committed to capital expenditure in the sum of approximately $11,000 for which no provision has been made in these accounts.

Defendant's Exhibit DW

SONNENSCHEIN LEVINSON CARLIN NATH & ROSENTHAL

69 WEST WASHINGTON STREET

CHICAGO, ILLINOIS 60602

TELEPHONE ANDOVER 3-6400

O J. CARLIN
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HOMAS CARLIN
AMUEL R. ROSENTHAL
ARLES D. SATINOVER
ROME S. WEISS
ANK C. BERNARD
HN J. FAISSLER
GRAHAM FISHMAN
EN LISS
OWIN A. ROTHSCHILD
IDNEY M. PERLSTADT
ERMA P. CORWIN
RL E. LOCK

HAROLD D. SHAPIRO
JAMES M. GOFF
C. HARKER RHODES, JR.
EDWARD L. LEVBITZ
PAUL J. MILLER
ROBERT N. GRANT
JULIUS LEWIS
DONALD G. LUBIN
WAYNE R. HANNAH, JR.
BERNARD J. NUSSBAUM
SHELDON I. FINK
DONALD M. SCHINDEL
FREDERIC S. LANE
RODNEY E. EYSTER

LERED J. GIESE
ARC LEVENSTEIN
ANIEL R. SWETT
ICHARD HARRIS
ERALD J. SHERMAN
IS K. HALLEEN
RROL L. STONE
DEL F. HENNING
LAN H. SILBERMAN
ERRY M. SCHLADE

THOMAS C. HOMBURGER
STANLEY J. ADELMAN
ROBERT J. STRACKS
ROBERT M. FARQUHARSON
JOSEPH D. FELDMAN
ARNOLD B. KANTER
MICHEL J. FELDMAN
RONALD M. DeGVEN
DUSTIN E. NEUMARK
PAUL H. HORTON

EDWARD SONNENSCHEIN (1881-1935)
HUGO SONNENSCHEIN (1883-1956)

of Counsel
DAVID LEVINSON
BEN ROTHBAUM
RICHARD M. GUDEMAN

March 2, 1970

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
MAR 20 1974

Plessey Incorporated
c/o Sinsheimer, Sinsheimer and Dubin
660 Madison Avenue
New York, New York 10021

Gentlemen:

We represent International Scientific Limited ("ISL") a Barbados corporation and have participated on its behalf in the negotiations leading to the execution of a contract dated February 4, 1970, with The Plessey Company Limited (the "Agreement"). The Agreement was subsequently amended to provide that Plessey Incorporated would be substituted for The Plessey Company Limited.

We have examined the laws of Barbados on which we as Illinois lawyers are, of course, not experts, and the corporate records of ISL including its Memorandum of Association, By-laws and records of the actions of its directors and shareholders. We have also examined such other matters of fact and law as we have deemed necessary for giving this opinion.

Based on the foregoing, it is our opinion that:

1. ISL is a corporation duly organized, validly existing and in good standing under the laws of Barbados, W.I.; and

2. The execution, delivery and performance of this Agreement by ISL have been duly authorized and approved by all requisite action of ISL's Board of Directors and stockholders and that this Agreement has been duly executed and delivered by ISL and constitutes the valid and binding obligation of ISL in accordance with its terms.

Also based on the foregoing examination and conversations with officers of the Company, we do not know of any litigation, proceeding or governmental investigation pending or threatened against or relating to ISL, its properties or business, or the transaction contemplated by this Agreement, or of any legal impediment to the operation by Plessey Incorporated of ISL's properties and business in the ordinary course.

Very truly yours,

SONNENSCHEIN LEVINSON CARLIN
NATH & ROSENTHAL

By Julius Lewis
Julius Lewis

JL:as

* other than two actions for wrongful dismissal seeking damages which in the aggregate are less than $550.00

No. 74-1584 & 74-1636

STATE OF ILLINOIS, } ss. W. Langbaum ..... being first duly
COUNTY OF COOK. }

sworn, deposes and says that he served ..one..... copies of the.....
Appendix - Volumes I, II, III, IV & V and Book of Exhibits
in the above entitled cause, as per statute herein made and provided, on

Mr. James J. Maloney
Rogers & Wells
200 Park Avenue
New York, New York 10017

this .....20th..... day of .....September....., A. D. 19.74

W. Langbaum

Subscribed and sworn to before me this .20th..
day of .....September....., A. D. 19.74.

Rosemarie Kremske
Notary Public.

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